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# The Emergence of Modern, Industrial Society — A Comparison of the Theories of Max Weber and Douglass North

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## Abstract

The Hegel-Marx dialectic between Sein and Bewusstsein has been continuing as a general problem throughout the history of social sciences. Some theories earmark mental, psychological, or ideological factors as causers to societal developments, while other approaches solely focus on material factors. The article compares two theories pertaining to the rise of modern, industrial society, that of Weber and that of North. Though North has some strong points, Weber's theory is more encompassing and dovetailing.

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My purpose aims to compare two well-known theories concerning the rise of modern, industrial society, the theories of Max Weber and of Douglass North. Both authors address the same phenomenon but rely on divergent assumptions, earmarking different factors and elements.

Weber's theory of the rise of capitalism or respectively of the rise of modern, industrial society is a part of his theory of disenchantment and rationalization. Disenchantment implies the diminution of magic in society and religion, while rationalization earmarks improvements in society, economy, politics, and law. The sociological theory of Weber identifies ideas, motives, and religion as causers to the rise of capitalism. Transformations and advancements taking place in ideological and religious domains created this revolution in economy and society.

North's theory, however, is not born in sociology but in economics. He completely sidelines the role of psychological and ideological factors. North believes that institutional and political factors alone account to the rise of capitalism, focusing mainly the role of property rights and of state functions with this regard.

I start with Weber's considerations. His theory of the link between Protestantism and capitalism has attracted greatest attentiveness among social scientists over past generations, more than most other theories of capitalism have done, except that of Karl Marx. Weber's theory relies on the fact that Protestant nations such as Great Britain, Sweden, and the

Netherlands were economically more successful than Catholic nations in early modern times. Further, Weber resorts to the empirically verifiable fact that in every Western nation, including the United States and Germany, Protestants were more successful than Catholics in jobs and occupations, both in academic professions and in entrepreneurial and managerial functions. For example, about 56% of people in Germany's 19<sup>th</sup> century were Protestants and about 43% Catholics, whereas about 74% of independent entrepreneurs were Protestants and only about 16% Catholics. This disparity between these two confessions concerning attainment of top positions continues through the past centuries and every nation and materializes even today.

According to Weber, this link between capitalism and Protestantism exists not randomly or due to coincidental factors such as social circumstances. He points out the decisive role of particularities of Protestant faith, doctrine, and ethics. Weber, in his multi-volume comparative study of world religions, believes to have evidenced that Protestantism has diminished magic more than Catholicism, Islam, Confucianism, and Hinduism have done; further, that Protestantism excels all other confessions concerning the establishment of a methodical way of leading one's life, of discipline, and of strict compliance with ethical standards. Protestants were impelled by their doctrines to develop high forms of self-reflection to circumvent and to obviate sinful infractions of all kinds. Protestant doctrines socialized people to develop discipline, moral behavior, and professional life to higher levels than previously given and common. Protestants surmounted medieval customs to consume huge amounts of alcohol, seeing drunkenness as a kind of sin against divine ordinances. Many kinds of medieval forms of entertainment and leisure time praxis were condemned such as dancing, playing cards, and comparable forms of amusement. People were taught by religion to desist from violence, brawls and fights, and from loose sexual habits. Protestants should cleanse their lives from unsound emotions and damaging practices, they should not waste their time with activities prone to childish pleasure.

Instead, Protestant doctrines commanded to lead a serious life in profession and community. They urged people to engage in their jobs and professions, to work more and harder. Earning money, saving profits for investments, enlarging one's business, and having success as professional or undertaker was conceived as obedience to the rules of God, and as a sign that a person leads a honest life, having admission to heaven in afterlife. Max Weber identifies this Protestant ethic as motor that has transformed mentality and economic behavior and that has furnished economic rationality, leading to capitalism and industrial economy. Though Weber sways to determine the exact role of Protestantism concerning the rise of capitalism it is obvious that he sees Protestantism as crucial factor with this regard.

A great deal of discussions emerged from Weber's description of the differences between medieval and Protestant behavior and mentality. Some commentators such as Alois Hahn emphasized that a kind of Historical Psychology is behind Weber's theory, according to that medieval people are described as being more prone to emotions and lust principle as modern people with their insinuated inclination to discipline and rationality. It is evident that Weber groped for such a Historical Psychology, but it is also clear that he obviated to formulate and to consider such a proceeding distinctly. Some others filled the gap Weber's appetite-aversion-conflict pertaining to the role of psychology left open. It is well-known that Norbert Elias developed his theory of civilization in consequence of his study of Weber's theory, among some other influences. Though Elias did not detail neither economic history nor the rise of capitalism, he developed a Historical Psychology, including exact descriptions of psychological characteristics both of medieval and modern human beings.

They dovetail exactly Weber's descriptions but refer them to a detailed psychological theory. In similar manner Rainer Döbert and Jürgen Habermas combined Weber's theory with ideas yielded by developmental psychology some decades later.

Overall, Weber's theory of capitalism and industrial economy emphasizes the role of religion, ideologies, motives, and mentalities. It aims to deliver an alternative to the materialist interpretation of history, an alternative to the theory of Karl Marx. While Marx believed that solely materialistic factors such as economic, political, and institutional factors determine the rise of capitalism, Weber wanted to describe economic history in terms of idealistic factors such as ideas, motives, and aspirations.

North in his theory of the rise of capitalism, however, follows materialistic views as he identifies solely state functions, property rights, and economic factors as crucial factors, totally ignoring mental and ideological factors. According to North, state dominance over business has prevented capitalism to arise, both in Asia as in central Europe in the early modern period. Autocratic rulers threatened entrepreneurs with confiscation or demanded taxes too high, relaying the right to collect taxes to private persons who abused their positions by exploiting taxpayers. Guilds organized local and regional economies, preventing innovative entrepreneurs from bolstering economic growth. State and bureaucracy blockaded the rise of capitalism in Asia and continental Europe this way, so North's message sounds.

According to North, Britain developed capitalism first because middle classes could challenge the role of the state as the island did not require a strong king and a high defense budget due to her safety given by geography. The parliament weakened the position of king and state, granting secure property rights to entrepreneurs and lowering taxes to pay by citizens. More precisely, the secure and individual property rights and low taxes caused the rise of capitalism in Great Britain, whereas insecure property rights and high taxes in the rest of the world blockaded there both economic growth and industrial society. North's theory sounds well as one knows especially since 1990 that market economies foster economic growth, whereas state functions too strong endanger prosperity and innovation.

North and Weber concur concerning their view of the decisive role of entrepreneurs in economic growth. However, while North explains the emergence of entrepreneurial success in terms of institutional arrangements and struggles for power, Weber emphasizes the role of motives and ideologies in the mentality of people and entrepreneurs.

Despite its seemingly enticing plausibility, data and facts do not match very well to North theory. Kenneth Pomeranz, for example, in his book "The great divergence", describes that private property rights were developed in China and Japan to similar rates as in Britain and Europe during the early modern time. Markets and commerce, both in agriculture and trade, offered similar freedom and leeway. Entrepreneurs could invest and operate freely to comparable rates in the Western and the Eastern world. When this is true then one must conclude that the rise of industrial society is not an automatic phenomenon appearing when the two conditions: property rights and reticent state are given, as the rationale of North insinuates. Though it is obvious that market economy fosters economic growth, and that industrial economy took root in Britain's market economy, the conclusion that market economy respectively secure private property rights is the main cause to the rise of industrial economy is by no means correct. Free markets existed in Asia too, but despite industrial

economy did not develop there originally.

That Weber's theory may be more plausible can be conceived when one considers that modern, industrial society entails more dimensions as industrial economy only. Europe's 18<sup>th</sup> and 19<sup>th</sup> centuries develop not only industrial economy, but also physical sciences, age of Enlightenment and its consequences, and classical music, transformations, clearly born in mental advancements and cognitive developments. Accordingly, industrial economy appears as a dimension belonging to a whole echelon of advancements, being closely related to those adjacent dimensions, whose origin in intellectual development is more easily to discern, namely sciences and classical music. Weber addresses exactly this phenomenon when he describes the rise of capitalism as being one dimension of the overall historical development of disenchantment and rationalization. Just in this context it makes sense to emphasize the close compound between Weber and Elias, of the theory of rationalization on the one hand and the theory of civilization on the other hand. Weber and Elias are more able to address and to encompass the multidimensionality of modern society as a purely economic theory.

What we see here is a continuation of the Hegel-Marx-controversy concerning the relation of Basis and Überbau, Sein und Bewusstsein. While both Marxian and liberal economics prefer to explain economic development in terms of economy solely, taking other dimensions as merely dependent factors, as Überbau, classical sociology, Weber and Elias, outline a more complex view. Sociology from its onset has time and again tried to combine social and mental factors and has often obviated to ignore the impact of mentalities and ideas. However, not always receives the discipline with the more complex view the reward as North was granted Noble prize for his contributions to institutional economics in 1993.

**Questions: Webers theory of capitalism also entails institutional, political, and economic factors, not only psychological ones. How do you consider them?**

Reviews and commentaries over the last generations have figured out that Weber has actually two major theories concerning the rise of capitalism respectively the rise of modern, industrial economy. One theory, his Protestant ethic, earmarks subjective factors such as religion, ideas, and motivations. The other theory focuses institutional, political, and economic factors. Weber's book "Economy and society" outlines the role of feudalism, guilds, and rulers that prevented capitalism to arise. Some chapters work out the role of independent cities, the rise of the bourgeoisie, and rational bureaucracy in Europe to engineer the road to capitalism. However, these two theories are juxtaposed, and they are not two integral parts belonging to a common overarching theory. There is a contradiction in his work one should not ignore but hint at. Though he says a spiritual theory of capitalism is as possible as a materialistic one he conversely writes in his essays on Protestant ethic that capitalism was only possible due to Christianity, thus assigning to religion a status of being an inevitable precondition to the rise of capitalism.

**How does Weber explain the rise of Protestant ethic?**

Weber has no detailed explanation to the rise of Protestantism and Protestant ethic. He simply refers to the fact that

Protestantism arises in early modern Europe and investigates its consequences on mentality and behavior of people, especially concerning economic behavior and professional life. Some authors, however, for example Rainer Döbert, Robert Bellah, and Jürgen Habermas, have worked out that Weber has an underlying theory of religious evolution. Not by chance Weber's theory of Protestantism is a part of his theory of disenchantment and rationalization. Ancient religions are full of magic, superstition, and belief in ghosts, while Protestant religion according to Weber ousted all kinds of magic and superstition. Though Weber's opinion is historically not fully correct, it shows that Weber sees Protestantism as a historically higher stage in religious development than all other religions. More, according to Weber, Protestantism is not only a higher stage concerning the removal of superstition but also concerning the establishment of higher ethics and morals, and of leading a life generally. Obviously, according to Weber, Protestantism occupies a higher stage of religious evolution, thus enhancing a civilization process, taking place in early modern Europe, enabling modern society to arise. Apparently, Weber shares implicitly positions detailed by scholars such as James Frazer who also described a religious evolution from magic to religion, with Protestantism as a pinnacle.

## Isn't it still outdated to maintain Protestantism being the most advanced religious faith?

Nowadays any strong link between Protestantism and stage of civilization will have been abated as rational behavior, economic success, and civilized conduct does not depend any more on religious confession. Otherwise, the rise of capitalism in Asia would not have been possible. 98% of the members of the Royal Society of London are atheists not Protestants, as a survey conducted in 1998 revealed. If your question, however, earmarks Weber's contention regarding the early modern times, one has to say that Weber identified the Protestant confession as the most advanced religious denomination, however implicit and contradictory his opinion may have been formulated. Norbert Elias was much clearer in his description of the civilization process. One can maintain and I do it that Weber wanted to outline Elias' theory but couldn't due to own uncertainties and doubts.

## Why does the link between Protestantism and capitalism continues up to the present times?

Empirical investigations for example in the United States and in Germany set forth a strong compound between Protestant confession and high position in entrepreneurship or professional life continuing throughout the 20<sup>th</sup> century. I haven't any knowledge of recent empirical data but I do know that up to the 1980s this link was still strong. Accordingly, one can expect that this link exists still today and that implies it exists from the 16<sup>th</sup> and 17<sup>th</sup> centuries up to now or yesterday. I have no full explanation why this link continued into the 20<sup>th</sup> century. One must consider that other confessions, including Catholicism, also advanced throughout the centuries, not maintaining its medieval character any longer. Despite the link exists although Protestants of today are less influenced by their religion as they were in former times. Possibly the link continues due to advantages concerning properties, education, and social influences acquired by former generations and bequeathed to later generations, thus becoming a link emptied from any religious influences.

## When Protestantism is a precondition to capitalism why could Catholic nations or Asian nations develop capitalism, too?

Weber clearly writes that Christianity was a precondition to the rise of capitalism. More, he clearly maintains that capitalism was not possible in China due to magical beliefs and superstition pertaining to Confucianism and Chinese religion. I do not know how Weber would react now concerning the rise of capitalism throughout the globe. However, there are some hints in his writings that may reveal how he would respond to your question. For example, he simply contested the impact of the European Jews upon the emergence of capitalism in Europe. He denoted the Jewish capitalism in Europe as Paria capitalism not as genuine contribution to the rise of capitalism in Europe. In fact, the link between capitalism and Jews was stronger than that between capitalism and Protestants, as Werner Sombart rightly determined in 1909. Why did Weber deny this link? Among other reasons, he did so because he wanted to foster his theory of the link between Protestantism and capitalism. Accordingly, one can assume that he would explain the emergence of capitalism in Catholic nations and in other parts of the world as *Kulturelle Aneignung*, not as genuine developments.

## Weber always objected against the introduction of psychology into sociology. How then can one speak of Weber having created a Historical Psychology?

Weber's theorizing about the role of psychology appears to me unclear, cursory and contradictory, not only in his religious studies but also elsewhere. Protestant ethic, according to Weber, has changed behavior and mentality of people, their ideas and motives. Weber describes medieval and catholic people as prone to emotions, violence, and leisure time activities, while he describes Protestants as disciplined people ready to work and thrift, to engage in business and profession, and to lead a honest life, ruled by conscience and self-reflection. That simply is Historical Psychology, and it is Historical Psychology ruled by Civilization theory. It gropes for that what Elias has elaborated much more precisely. Weber's theory is an implicit theory of civilization and psychological development.

## How does Weber consider the relationship between economic success and the doctrine of mercy?

According to Weber, all other religions except Protestantism concede the possibility to receive pardon for one's sins by good deeds, for example by prayers or sacrifices. Accordingly, people were prone to a careless and sinful life because they assumed to have the possibility to redeem all their sins committed in life. More precisely, a sinful and awful life could not hinder the entrance to heaven when one repented his crimes before death. Protestantism, however, defined the chances to get admission to heaven divergently. The entrance was predestined before birth and independent from one's activities in life. However, God furnishes signs whether somebody was approved or denied for heaven. Those who had a successful life received by that the sign to be selected for heaven. Accordingly, Protestants groped for a disciplined and

successful life to have an approval concerning their station in afterlife. The disciplined life was not a cause to redemption but a sign (Erkenntnisgrund), as Weber points out.

Is it really plausible to assume that religious ideas such as Protestantism have impelled the emergence of higher stages of consciousness and moral behavior? How makes it sense to compound religious evolution and evolution of civilized behavior?

To my opinion, it is not plausible the way Weber has pointed out it. Weber assumed Protestantism was the causer to the changes in mentality and behavior. He argued that in former times religion had a much more tremendous impact on human beings than in his time. Accordingly, religious ideas had the potency to change the behavior of groups. However, Weber seems to ignore that religions are no entities that develop on themselves. It is much more plausible to assume that humans advance psychologically and cognitively and transform religions accordingly. Thus it is much more plausible to contend that Protestantism emerged from psychological advancements taking place in Europeans of the early modern times, religious transformations respectively emergence of Protestantism being a manifestation of these advancements. Then, as a kind of repercussion, religion may impinge human beings, especially subsequent generations, socializing their mind and behavior.

How would you define a theory that combines social and mental factors, thus avoiding a merely psychological theory and a merely materialistic theory alike?

I see the Hegel-Marx dialectics of Sein and Bewusstsein as a good starting point for that consideration. Society, economy, culture, and technology have advanced from medieval to early modern times. In terms of Marxian theory, the material conditions have enriched and flourished a lot. With book printing of Gutenberg and with the dissemination of school attendance and other factors, socialization conditions improved to foster cognitive developments and mentality transformations. Europeans changed their mind and their religious ideas, thus being inclined to create the ideas of Protestantism. This new mentality helped Europeans to fashion modern capitalism respectively modern industrial society. It is a screwlike loop of material and mental factors that impinge each other, climbing to higher forms regarding material and mental phenomena alike. It is helpful to mention in this context that Protestant cities and regions did much more to disseminate school attendance than Catholic cities and regions. Overall, it is possible to fill the old dialectic model of Sein and Bewusstsein with new sociological life and vigor.

**You deny North's theory obviously. However, he is right to maintain the precapitalist economies were ruled by regimes prone to confiscation and organized economies, dwarfing free markets and endangering entrepreneurs.**

I support North's view that free and individual property rights ramp up and foster economic growth. There is also a connection between individual property rights and rule of law on the one hand and the emergence of industrial society and economy on the other hand. But according to North, these conditions were unique in Great Britain 250 years ago and led



automatically to emergence of industrial economy. However, these conditions were neither decisive nor the pivotal ones. Free markets existed in Asia likewise, both in China and Japan. More important are the spirit of innovation and entrepreneurial dynamics born in a mentality unknown in Asia. I relegate to Joel Mokry, an economic historian, who deflects industrial economy from the spirit of the age of Enlightenment, coining the term “enlightened economy”, or to Simon Winchester who maintains that the British had a culture of precision in their technology unknown to previous cultures.

**Feudalism existed in Germany by 1850 roughly, in England it was abolished earlier. This matches to North’s description.**

It is the question of hen and egg, cause and effect. As industrialism started to expand in Western Germany, from the 1830s onwards, feudalism was soon abrogated. The abolishment of feudalism followed the emergence of capitalism, it was not a precondition. Had Germany put through capitalism 50 years before, it would have abolished feudalism just in time. However, Germany mainly overtook industrialism from Britain, and both developments, emergence of industrialism and abrogation of feudalism developed later. Not specifics of German feudalism accounted to the belated introduction of capitalism, as the question insinuates. Britain was first, that’s all.

**Free property rights in China? This seems to contradict Wittfogel’s description of despotism in Asia. How do you comment?**

Yes, Wittfogel overrated the lack of free markets and traditional capitalism in China. It is not state and bureaucracy that prevented China from developing industrial economy. Kenneth Pomeranz in his voluminous monograph THE GREAT DIVERGENCE showed that capitalist farmers in China could buy huge territories to expand their business and that peasants could free from landlords by payments. In greater parts of China there was more farmland free to buy on markets than in 19<sup>th</sup> century France, for example. Businesses existed in China owned by families over centuries, being rich and independent. According to the existence of free markets and private property rights, China could have created industrialism. Accordingly, Wittfogel’s and North’s theory is not correct. China did not develop industrialism due to the lack of sciences and engineering that Britain and Europe had devised.

**Can you comment why sociological theory addresses the multidimensional aspects of modernity better than economics?**

The history of the two disciplines displays that economics always had a narrower view on the borders of its discipline, while sociology from the onset set forth a broader perspective, integrating economic, political, and psychological data and facts. Sociology has devised numerous theories of modern, industrial society that described the different aspects of modern society, encompassing economy, family patterns, educational system, political institutions, legal developments, worldview, secularization, and mentality. Sociology tends to understand modernity as a complex syndrome, while



economics tends to conceive modern society and economy as something simply resulting from investments and capital formation.

## Can you comment the link between the Hegel-Marx-relationship and the Weber-North-relationship?

Hegel understood the development of history and society resulting from the advancements of the mind in gaining higher stages of consciousness and reflection. The mind was the motor behind the development of the society. For Marx, this was a prescientific view as he believed that material conditions determine the path of society's development. The development of technologies and of social and power relations were the motors in his view, Produktivkräfte und Produktionsverhältnisse. Das Bewusstsein folgt dem Sein. North shares main ideas of Marx unintentionally as he sees likewise institutions and frameworks as decisive and not mental powers or related factors. Weber, conversely, follows Hegel, likewise unintentionally, as he tends to see the capitalist mentality as prereunner to the capitalist system.

## Footnotes

<sup>1</sup> The article is the publication of a lecture given before the faculty of social sciences of the university of Oldenburg on the 18<sup>th</sup> of January, 2024.

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