

Chapter 2

Schutz's Theory of Economics

It must be clearly stated that the relation of phenomenology to the social sciences cannot be demonstrated by analyzing concrete problems of sociology or economics, such as social adjustment or theory of international trade, with phenomenological methods. It is my conviction, however, that future studies of the methods of the social sciences and their fundamental notions will of necessity lead to issues belonging to the domain of phenomenological research. (I 116)

Introduction

The attempt will be made in the present chapter to cover most of what Alfred Schutz writes about the science of economics. There is at least as much said about this science in his oeuvre as there is about sociology cum social psychology. He claims not only that it is as advanced a science as chemistry and biology (PP 131), but also that it is actually the most advanced social science (PP 128, V 19). The core of his philosophy is his methodology, or better, his “theory of science” (*Wissenschaftslehre*), which can also be called “science theory” and which includes (a) basic concepts, (b) disciplinary definition, and (c) methodological postulates.

Scientists as well as philosophers can engage in science theory, however, which raises the question of how their perspectives might differ. It appears that while scientists, e.g., Max Weber, reflect only on their own particular sciences (PSW 7), philosophers, e.g., Schutz, also reflect on whole species and genera of science as well as on particular disciplines. Thus, when Schutz referred to the work of his friend Felix Kaufmann as “a general methodology of the social sciences” (IV 138), he might have been speaking of his own work as well.

Some of what Schutz called “basic concepts” are listed on the first page and elsewhere in *Der sinnhafte Aufbau der sozialen Welt* (1932), and others are mentioned later (e.g., IV 121, V 75). But what will be emphasized in this chapter are what Schutz calls “postulates.” It is not immediately clear what these are. Occasional

Embedded citations refer to works of Schutz that are listed at the end of this chapter.

synonyms are “laws,” “ideals,” and “principles.” More significantly, he mentions “procedural rules” (IV 64, I 6, PP 128) and “operational rules” (V167) and equates them with postulates (I 251); his source is the book of Kaufmann.¹ “Rules for scientific procedure” (I 49) also occurs.

If Schutz conceived of his postulates as rules, he could also have expressed them as norms, or even imperatives. Interestingly, he rarely if ever does so. Instead, he emphasizes how the methodologist is like a student:

In this role, the methodologist has to ask intelligent questions about the technique of his teacher. And if those questions help others to think over what they really do, and perhaps to eliminate certain intrinsic difficulties hidden in the foundation of the scientific edifice where the scientists never set foot, methodology has performed its task. (II 88; cf. IV 24)

To use another metaphor, which Schutz did not use, this task would be like somebody who composes a cookbook by observing what chefs do in the kitchen, recording as recipes what is evident in the chefs's skillful practices, with a result that could be of use to them in subsequent cooking—except that cooking recipes typically list series of imperatives, while, again, Schutz's postulates are not explicitly expressed in this way.

Postulates for All Cultural Sciences

Some postulates of wide application can be reviewed before turning to a postulate distinctive of modern economics. Although Schutz also mentions “ethical-political postulates” (II 263, cf. II 270, IV 149), they will be ignored here for the sake of the postulates pertaining specifically to the sciences.

What is science in general for Schutz? Properly speaking, science is first of all in a first signification *theoretical*: “Scientific theorizing ... does not serve any practical purpose. Its aim is not to master the world but to observe and possibly understand it” (I 245). He approves of the value neutrality of Max Weber, who was “one of the first to proclaim that the social sciences must abstain from value judgments. He took up the battle against those political and moral ideologies which all too easily influence the judgment of the social scientist, whether the influence is conscious or not” (PSW 5).

Then again, Schutz distinguishes *pure theory* and *applied theory* and does so clearly in the Table of Contents for *Collected Papers*, Vol. II that he composed before he died. In that volume, “The Homecomer” (1944) most notably includes at the end practical recommendations for the treatment of returning veterans from World War II. Moreover, “pure” appears to be a synonym for “theoretical” in one signification and is then used by Schutz to qualify economics extensively, presumably because, like jurisprudence, economics is often also an applied or, better, a science-based practical discipline.

¹ *Methodenlehre der Sozialwissenschaften* (Wien: Springer, 1936) and, revised, *Methodology of the Social Sciences* (New York: Oxford University Press, 1944).

In addition, the postulate of *rationality* holds not only for the cultural sciences but for all of the sciences: “The methodologies of the true sciences are rational, involving, as they do, the use of formal logic and interpretive schemes. All true sciences demand the maximum of clarity and distinctness for all their propositions” (PSW 240).

What genera of contentual or empirical science are there for Schutz? The generic difference is between the *cultural* and the *natural* sciences. The title “cultural sciences” may seem odd, even though Schutz uses it significantly in work written in Europe. Probably because he wanted to get along in American science, where it was seldom used and the memory of the neo-Kantian connotation had not yet faded, he himself does not use “cultural science” in English (although it occurs in one translation he approved [I 120ff.]).

In *Der sinnhafte Aufbau* (1932), however, Schutz not only uses “*Geisteswissenschaft*” and “*Kulturwissenschaft*,” but even “*Sozialwissenschaft*” to include the historical sciences along with the strictly social sciences (e.g., sociology), actually calling biography, jurisprudence, pure economics, history of law, history of art, political science (PSW 242), history of politics (PSW 136), economic history, (PSW 137), and the histories of music and even philosophy (PSW 211) “social” sciences. Thus, although Schutz is indeed concerned in general with “concrete sciences of cultural phenomena (law, the economic and social world, art, history, etc.)” (I 122), one always needs to ask if a wide or a narrow signification is expressed when he uses the term “social science.”

The cultural sciences thematize aspects of the socio-historical world. This life-world is concrete and original, whereas the nature of the naturalistic sciences differs in being abstract and derivative:

The concept of Nature ... with which the natural sciences have to deal is ... an idealizing abstraction from the *Lebenswelt*, an abstraction which, on principle and of course legitimately, excludes persons with their personal life and all objects of culture which originate as such in practical human activity. Exactly this layer of the *Lebenswelt*, however, from which the natural sciences have to abstract, is the social reality which the social sciences have to investigate. (I 58)

What of species within the genus of cultural science? Psychological science might be considered a species of cultural science, but Schutz does not explicitly say so; it will be returned to in Chap. 6. The list assembled above can be divided. Economics, ethnology, jurisprudence, linguistics, political science, and sociology are social sciences in the strict signification, while the history of art, economic history, history of law, history of music, history of philosophy, and history of politics are historical sciences.

These two species of cultural science differ with respect to the regions of the socio-cultural world referred to in them. Among humans alive at the same time as a self, those with whom direct interaction and understanding in shared place and time are possible are deemed “consociates,” while those living others who are only indirectly within cognitive and practical reach are called “contemporaries.” Encounters with consociates are especially short-term and transitory. The social sciences in the narrow signification essentially address the region of contemporaries. But if

the others being investigated are deceased and thus “predecessors,” the sciences involved are historical sciences, according to Schutz.

Two remarks can further serve to indicate how the socio-cultural life-world is thematized in the cultural sciences in general. In the first place, naturalistic scientists are not the only ones who construct models, for the cultural scientist too observes typical patterns of action and on that basis constructs models (I 36, 40ff.)

Thus the social scientist arrives at a model of the social world or, better, at a reconstruction of it. It contains all relevant elements of the social event chosen as a typical one by the scientist for further examination. ... For from the outset the puppet type is imagined as having the same specific knowledge of the situation—including means and conditions—which a real actor would have in the real social world. From the outset the subjective motives of a real actor performing a typical act are implanted as constant elements of the specious consciousness of the personal ideal type. It is the purpose of the personal ideal type to play the role an actor in the social world would have to adopt in order to perform the typical act. (V 40)

In other words, the cultural scientist develops a model of the social world in terms of a system of mutually coordinated ideal types of actions as well as of roles, relationships, situations, and products.

And in the second place, the ideal types—also called “constructs” and even “thought objects” (see Chap. 15)—that are employed in the cultural sciences are actually concepts of a higher level, i.e., constructs about constructs:

But the observational field of the social scientist—social reality—has a specific meaning and relevance structure for the human beings living, acting, and thinking within it. By a series of common-sense constructs they have pre-selected and pre-interpreted this world which they experience as the reality of their daily lives. It is these thought objects of theirs which determine their behavior by motivating it. The thought objects constructed by the social scientist, in order to grasp this social reality, have to be founded upon the thought objects constructed by the common-sense thinking of men, living their daily life within the social world. Thus, the constructs of the social sciences are, so to speak, constructs of the second degree, that is, constructs of the constructs made by the actors on the social scene, whose behavior the social scientist has to observe and to explain in accordance with the procedural rules of his science. (I 59; cf. IV 72)

(Although Schutz does not say so, one might wonder whether there is not a need to recognize constructs of a third degree, i.e., science-theoretical or methodological constructs *of* cultural-scientific constructs *of* common-sense constructs. And if a distinction is made between scientific science theory (i.e., efforts at theory of science made within the framework of, and limited to, a particular science) and philosophical science theory (which also includes genera and species of science), then constructs of the fourth degree would need to be recognized. Postulates would then be constructs of the third and/or fourth degrees.)

What are the key postulates for the cultural sciences in general? Schutz discusses a number of postulates that arguably hold for all cultural sciences (e.g., II 18 f.) and those of *adequacy* and *subjective meaning* are especially important. Regarding the former,

each term in a scientific model of human action must be constructed in such a way that a human act performed within the life-world by an individual actor in the way indicated by

the typical construct would be understandable by the actor himself as well as by his fellow-man in terms of the common-sense thinking of everyday life. (PP 148)

Moreover, “compliance with the postulate of adequacy warrants [the] compatibility [of the thought objects constructed by the social scientist] with the constructs of everyday life” (I 64), since the latter are “the true subject matter of all the social sciences” (PP 148; I 64, cf. I 44, PP 145, V 41, IV 22.). (It is a mistake, however, to believe “adequacy” is a synonym for “truth” [see Chap. 16]).

The other especially important postulate for the cultural sciences is what Max Weber called the postulate of “*subjektiver Sinn*.” This expression is, however, problematical for Schutz, who renders it increasingly as “the postulate of subjective interpretation” (IV 22; cf. II 85), commenting in 1955 that,

in Weber’s unfortunate—but generally accepted—terminology, we have to distinguish between the *subjective meaning* a situation has for the person involved (or the one a particular action has for the actor himself), and the *objective meaning*, that is, the interpretation of the same situation or the same action by anybody else. The terminology is unfortunate because the so-called objective meaning—or better, meanings—are again relative to the observer, partner, scientist, [“or the philosopher” (II 275)], etc. [“and, therefore, in a certain sense, ‘subjective’ (Idem.).”] (II 227, cf. I 24)

The postulate of subjective interpretation applies to “economics as well as to all the other social sciences” (I 35; cf. PP 144), including history (PSW 214). One of the better formulations of this postulate reads as follows:

What is really meant by the postulate of subjective interpretation is that the actor understands what he is doing and that, in daily life as well as in science, the observer who wants to grasp the meaning of an action observed has to investigate the subjective self-understanding of the actor. Strictly speaking, it is only the actor who knows where his action starts and where it ends. The observer sees merely the segments of the ongoing course of action which become manifest to him, but does not know the span of the projects within which this ongoing course of action occurs. (PP 138)

However, a problem arises in this connection, and not only for economics, but for most “social” sciences (Schutz is referring, of course, to the sciences of his time, i.e., ca. 1953):

Is it not the “behavior of prices” rather than the behavior of men in the market situation which is studied by the economist, the “shape of demand curves” rather than the anticipations of economic subjects symbolized by such curves? Does not the economist investigate successfully subject matters such as “savings,” “capital,” “business cycle,” “wages” and “unemployment,” “multipliers” and “monopoly” as if these phenomena were entirely detached from any activity of the economic subjects, even less without entering into the subjective meaning structures such activities may have for them? The achievements of modern economic theories would make it preposterous to deny that an abstract conceptual scheme can be used very successfully for the solution of many problems. And similar examples could be given from the fields of almost all the other social sciences.

Closer investigation, however, reveals that this abstract conceptual scheme is nothing else than a kind of intellectual shorthand and that the underlying subjective elements of human actions involved are either taken for granted or deemed to be irrelevant with respect to the scientific purpose at hand—the problem under scrutiny—and are, therefore, disregarded. Correctly understood, the postulate of subjective interpretation as applied to economics as well as to all the other social sciences means merely that we always *can*—and for certain

purposes *must*—refer to the activities of the subjects within the social world and their interpretation by the actors in terms of systems of projects, available means, motives, relevances, and so on. (I 34f., paragraphing altered; cf. PP 144, V 86, II 84f.)

The same contrast can be seen in the following discussion of the sociology of Talcott Parsons:

Modern sociologists dealing with the social system as such describe a concrete social group, for example, as a structural-functional context of interlocked social roles and status relations, of patterns of performance and significance. Such patterns, in the form of expectations adhering to these roles and status relations, become motivational for the actual and future actions of the incumbents to fulfill the functions prescribed by the positions occupied by them within this system ... But it will be useful to remember that what the sociologists calls "system," "role," "status," "role expectation," "situation," and "institutionalization," [are] experienced by the individual actor on the social scene in entirely different terms. To him all the factors denoted by these concepts are elements of a network of typifications—typifications of human individuals, of their course-of-action patterns, of their motives and goals, or of the sociocultural products which originated in their actions. These types were formed in the main by others, his predecessors or contemporaries, as appropriate tools for coming to terms with things and men, accepted as such by the group into which he was born. (II 231–33)

Thus both the postulate of adequacy and the postulate of subjective interpretation serve to anchor the second-order constructs of the cultural scientists in the first-order constructs through which the actors themselves understand their social world.

Now that postulates for science in general and for the cultural sciences specifically have been sketched, it is possible to consider some more particular postulates.

Economics as a Theoretical Social Science

How is a "theoretical social science" theoretical? Social science must be recognized as able to be theoretical in more than one signification for Schutz, i.e., "theoretical" can signify more than an attitude that contrasts with the practical. Late in the *Aufbau*, he mentions "the theoretical social sciences, including ... pure economics" (PSW 244) and by 1953 his list of "theoretical sciences of human affairs" had also come to include law, linguistics, and cultural anthropology (I 58). And early on he seems to hold that theoretical economics and sociology do not have to be developed because they already exist (IV 88).

The question can now be confined to how economics and sociology are specifically theoretical.

The answer is that in every branch of the social sciences which has arrived at the theoretical stage of its development there is a fundamental hypothesis which both defines the fields of research and gives the regulative principle for building up the system of ideal types. (II 87)

The system of ideal types for a theoretical science would seem to be the same as the model of the social world built up in the cultural sciences mentioned above, i.e., a model that "contains all relevant elements of the social event chosen as a typical one

by the scientist” and that “complies perfectly with the postulate of the subjective point of view” (V 40).

However, Schutz hesitates to define the research field of economics in terms of the social world as a whole:

No economist considers the totality of human actions as falling under the province of his science. Whatever his definition of the economic field may be ... this definition will designate certain actions, goals, means, and motives as economically relevant, whereas all the others remain as “economic matters” outside the scope of economic science. (V 87, cf V 149, 99 IV 104)

Hence, a fundamental hypothesis for the whole of the cultural sciences—or even of the whole of the specifically social sciences—does not yield the postulate that will define the research field and method of theoretical economics in particular.

Similarly there seems to be no statement of a fundamental hypothesis for the whole of sociology from Schutz. But in discussing the research field and method of the school of *verstehende Soziologie* or what can be called in English “interpretative sociology,” which he came to call social psychology in the USA (see Chap. 5), Schutz does say that “the primary task of this science is to describe the processes of meaning-establishment and meaning-interpretation as these are carried out by individuals living in the social world” (PSW 248).

Later, he appears to approve of a characterization of theoretical social sciences (including sociology in the signification of Talcott Parsons), stating that “the outstanding feature of these theoretical sciences is the interpretation of the social world in terms of a system of determinate logical structure” (II 86, cf. II 80, PP 142). And he also says that

Sociology [is] a special analytical science on the same level with economic theory as the science which attempts to develop an analytical theory of social action systems (the term social involving a plurality of actors mutually oriented to each other’s action) insofar as these systems can be understood in terms of the property of common value integration. (V 16; cf. II 231f.)

What, however, of schools of thought within the social sciences? In addition to the interpretative sociology already mentioned and also to utilitarianism, to be discussed presently, Schutz recognizes behaviorism, grants its intention to be scientific, and acknowledges that it is already accepted by the majority of social scientists in his day (V 118 ff., cf. I 48ff.). But with perhaps some irony he also objects to behaviorism:

To be sure, these scientists admit that phenomena such as nation, government, market, price, religion, art, or science refer to activities of other intelligent human beings and constitute for them the world of their social life; they admit furthermore that alter egos have created this world by their activities and that they orient their further activities to its existence. Nevertheless, so they pretend, we are not obliged to go back to the subjective activities of those alter egos and to their correlates in their minds in order to give a description and explanation of the facts of this social world. Social scientists, they contend, may and should restrict themselves to describing what this world means to them, neglecting what it means to the actors within the social world. (V 33)

Then there is the school of thought called *utilitarianism*.

Some ... of the outstanding features of the utilitarian model of human actions—used until our day by prominent economists and sociologists—can be characterized as follows: Any human being is at any moment of his life aware of his likings and dislikings. These likings and dislikings are arranged in a hierarchical order, in a scale of graduated preferences. Men are inclined to act by the wish to obtain something more preferable, by the wish to avoid something less preferable, and, more generally, by a feeling of uneasiness or by an urge, drive, need, etc., to be satisfied; the removal of this uneasiness or the satisfaction of the need is thus the end (the goal) of action. Sometimes it is even assumed that if there were no such uneasiness (drive, urge), man would be in a state of equilibrium—that the emergence of the uneasiness disturbs such an equilibrium, and the action aims at restoring it. (V 81)

Returning now to economics, the following is the fundamental hypothesis of the school of *classical economics*:

The sense of this postulate [of utilitarianism] is the following: Build your ideal types as if all actors had oriented their life-plan and, therefore, all their activities to the chief end of realizing the greatest utility with the minimum of costs; human activity which is oriented in such a way (and only this kind of human activity) is the subject matter of your science. (II 87)

By contrast, generally, however, “it is a methodological postulate of *modern* social science that the conduct of man has to be explained *as if* occurring in the form of choosing among problematic possibilities” (I 83, emphasis added). This is then specified:

According to *modern sociology*, the actor has “to define the situation.” By doing so he transforms his social environment of “open possibilities” into a unified field of “problematic possibilities” within which choice and decision ... becomes possible. The sociologist’s assumption that the actor in the social world starts with the definition of the situation is, therefore, equivalent to the methodological postulate, that the sociologist has to describe the observed social actions *as if* they occurred within a unified field of true alternatives, that is, of problematic and not of open possibilities. (I 83 f., emphasis added)

In other words, utilitarianism (in contrast to behaviorism) does seem to include the perspective of the actor, but assumes an “objective” ranking of what is to be liked and disliked, without acknowledging that this ranking stems from the (subjective) orientation of the researcher. In contrast, modern sociology can accommodate a more nuanced field of possibilities, one that is relevant to the situation of the individual actor.

Analogously, the school of *modern economics* is characterized by the principle of marginal utility, and what this does is eliminate the question of an inherent (economic) value of goods:

With admirable clarity the marginal-utility principle establishes from the outset all possible decisions with respect to economic goods as choices between problematic possibilities. Each of these possibilities has, according to the marginal-utility principle, its own positive and negative weight *for the economic subject*; and although this weight originates in the higher order of the presupposed economic system itself, it is a different one for each of the economic subjects by reason of his position within the system.

In other words: the marginal-utility principle does not postulate that all problematic possibilities are available to any individual actor or that all of them have equal weight for everybody. But it postulates that any way of action open to the individual actor originates in a choice between the problematic possibilities accessible to him and that each of these possibilities has for him its own weight, although this weight is not the same for his fellow-actor, to whom other possibilities—also problematic—are accessible. (V 89)

And with this, the requisite postulate emerges and indicates what will count as “economically relevant” (V 87) for the investigation.

Thus, the marginal-utility principle or postulate characterizes the school of modern economics within the social-science species of the cultural sciences for Alfred Schutz.

Summary

As mentioned at the outset, the results of Schutz’s reflections on the practice of economics could be expressed as a series of imperatives. However, he resists prescribing to scientists; instead, he wants instead to report to them what he discovered in the foundations of their science, leaving it to them whether to reflect on and possibly eliminate some previously hidden difficulties there. In the same spirit, the results reported in the present chapter can now simply be restated, beginning with principles proper to science in general and gradually specifying them for cultural science; social science in the narrow signification; and for modern theoretical economics according to Schutz.

The theoretical attitude is adopted; ideology is resisted; and clear, distinct, and consistent results are sought in order to produce pure rather than applied theory.

Pertinent aspects of the socio-cultural life-world are thematized in a cultural-scientific investigation.

The strictly social sciences are differentiated from the historical sciences by virtue of the region of others that they thematize, i.e., that of “contemporaries.”

Objectivistic mathematical accounts (e.g., of the behavior of prices) can be anchored in subjective interpretations in terms of the projects, motives, etc., of actors in everyday life.

Scientific models of the cultural world and aspects of it are constructed out of ideal types based upon the common-sense constructs of actors, partners, and observers in everyday life.

Such scientific constructs are deemed adequate if understandable to participants in everyday life, but this is not to say that they are thereby considered true.

The fundamental hypothesis of modern theoretical economics is identified as the principle of marginal utility.

Works of Schutz

Note: Unless done otherwise, the following works will be cited with the embedded abbreviations as listed down the left margin below, plus the page number(s).

I = Alfred Schutz, *Collected Papers*, Vol. I, *The Problem of Social Reality*, ed. Maurice Natanson (The Hague: Martinus Nijhoff, 1962).

II = ———, *Collected Papers*, Vol. II, *Studies in Social Theory*, ed. Arvid Broedresen (The Hague: Martinus Nijhoff, 1964).

III = ———, *Collected Papers*, Vol. III, *Studies in Phenomenological Philosophy*, ed. Ilse Schutz (The Hague: Martinus Nijhoff, 1966).

IV = ———, *Collected Papers*, Vol. IV, ed. Helmut Wagner, George Psathas, and Fred Kersten, (Dordrecht: Kluwer Academic Publishers, 1996).

V = ———, *Collected Papers*, Vol. V, *Phenomenology and the Social Sciences*, ed. Lester Embree (Dordrecht: Springer, 2011).

VI = ———, *Collected Papers*, Vol. VI, *Literary Reality and Relationships*, ed. Michael Barber (Dordrecht: Springer, 2013).

PSW = ———, *The Phenomenology of the Social World*, trans. George Walsh and Frederick Lehnert (Evanston: Northwestern University Press, 1967).

PP = ———, "Positivistic Philosophy and the Actual Approach of Interpretive Social Science: An Ineditum from Spring 1953," *Husserl Studies*, Vol. 14 (1998): 123–149. Reprinted in Dermot Moran and Lester Embree, eds., *Phenomenology: Critical Concepts in Philosophy*, 5 vols. London: Routledge, 2004, III, pp. 119–145. Also available at <http://www.springerlink.com/content/t52u22v305u28g04/>

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Embree, L.

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