

THE VITALITY OF CRITICAL THEORY

HARRY F. DAHMS



Current Perspectives in Social Theory

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THE VITALITY OF CRITICAL THEORY

BY

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FOREWORD

For a scholar so young to have such a large coherent collection of papers that merit republication as a set – a first volume of *The Collected Papers of ...* – is hardly ordinary. But Harry Dahms is hardly ordinary. Perhaps part of this latter fact can be attributed to “externalities” – for instance, that he is of two societies and two cultures, Germany and the United States; that he is also, if not so literally, of two eras, the present era and another much older, in developmental if not calendar time; that his own discipline reaches across departments of the university to incorporate topics of the historian, the philosopher, the sociologist, the political scientist, the institutional economist, the film critic, and more. No doubt real, those external factors have considerable impact as context and condition in the formation of the scholar’s interests. The external comes to fruition in and as a person in various ways, however, and for Professor Dahms the hallmark of that personal process has been and continues to be a passion to discern that which has escaped attention, that which is concealed by the usual processes of conscious attention, perception, and evaluation. This is the passion of wonder – that sudden apprehension of the extraordinary in the ordinary, the ineffable in the confidence of an experience, the question in the comfort of an answer, the ludic in the sobriety of commonplace, the wound beneath the scab. It is wonder that puts in such peculiar relief the routines on which it depends for backdrop, even as routines (perhaps especially those of formal education) can stifle capacities for wonder. Dahms has somehow evaded that cost far better than most others I have known: while evidently a creature of higher education in the formal institutional sense, he parses in turn both wonderments and routinizations to which too many of us are insensitive. These capacities and actions are manifest in his writings, though one must listen carefully across carefully composed, often long, lines of syntax in which word selections leave traces of his agreement with Mark Twain and Ludwig Wittgenstein about choosing the correct word. Better yet, listen to his oral commentaries during a screening of a film by, say, Andrei Tarkovsky, or a pop-culture movie such as *The Matrix*.

Whatever his venue, Dahms discriminates among inconsistency, contrariety, and contradiction. There is nothing unusual about that, of course,

except that these categories are prone to conflation in circuits of rhetoric and its referrals. At least since Aristotle, in western traditions distinctions have been maintained among inconsistency, contrariety, and contradiction, at least in outline, by most thinkers. Among the last of those, also at least since Aristotle in western traditions, distinctions are usually maintained among contradictions that are psychological (i.e., contradictory beliefs held by ostensibly the self-same individual or other identity fixture), those that are logical (i.e., of propositions), and those that are ontological (i.e., of ontic “things”), although after Hume and then Kant it has been very much harder to pin down the bounds and explain “here” rather than “there” (thus spurring a continual scramble for authority to speak for a thing-in-itselfness, an unmoved mover, a god, or some other nonhuman warrant for a “merely” human belief, proposition, and/or thing or phenomenon).

Dahms focuses most on contradiction, as in the summary phrase, “the contradictions of modern society.” Of the three – inconsistency, contrariety, and contradiction – it seems that contradiction most easily evades reflexive consciousness in the impressions and exhibitions of “lived experience.” The cultivation of false consciousness, bad faith, and the like, under the self-occulting cover of different names and relations has perhaps always been in the interest of a few, relative to the many; but never before have entire industries, employing millions, now billions, of workers, taken their “reason for being” in the innovations and applications of such instruments. As lines differentiating “copy” from “original” have faded away, the occultation has become easier to perform, at times even unnecessary, and the cultivation an unremarked, perhaps unremarkable, “ordinary everyday behavior.” Here, then, subsists what Dahms refers to as a disconnect between “US society as most of its inhabitants consciously experience it” and “actually existing US society.” The modal conscious experience, at least the parts that are conveyed verbally and sometimes in other behaviors or actions, is a texture of political and religious creeds (often not distinguished from one another), civic legends, emotive and affective expressions that seldom have lasting (if any) cathartic effect, and occasionally some efforts of reasoned dialogue that genuinely seek answers though too often ultimately under the sign of comforting self-delusion. For modal conscious experience there *is* no disconnect – or none that is translated from visceral awareness as frustration, demoralization, or raging aggression to an open, critically self-reflective discourse. Dahms bridges an earlier era, exemplified by Jürgen Habermas who genuinely and profoundly endorsed the Enlightenment’s principle of hope as realized in the premise of speech and thus realizable in

human actions generally, and the present era, in which Habermas' entire project seems from the standpoint of modal conscious experience utterly naive. Dahms is one of a diminishing few who discern that difference – by living it – and rejuvenate hope.

The papers of this collection are morning windows onto the horizons of a young scholar's multidimensional project. Some of us, having produced such a collection, would be successfully tempted to rest on the laurels of it, while others of us are still hoping for something substantial enough to rest on, laurelled or not. Harry Dahms is rarely at rest. The horizons of his project remain freshly expansive, opening more or less equally new futures and their new pasts. More windows are being built. Morning has matured, but morning still it is.

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INTRODUCTION

The chapters included in this volume appeared over the course of 11 years, between 1997 and 2008. They reflect two central concerns. The first concern was whether the trajectory that had guided the development of critical theory since the linguistic turn of the early 1970s was as conducive to addressing the most important issues of the late twentieth century as the works of the first generation had been for their time, from the 1930s to the late 1960s. The second concern was how to confront the challenge of reconceiving the thrust and agenda of critical theory as a practically relevant analytical program, in light of societal conditions and trends in the early twenty-first century. The chapters in Part I were driven by the need to provide an accounting of the state of affairs in critical theory that took as its vantage point the program of the early Frankfurt School, rather than the communication-theoretical rendering Habermas has engendered. The chapters in Part II were inspired by the desire to circumscribe the kind of contributions critical theory should and can make to illuminating dilemmas and roadblocks in the social sciences and in social policy in the early twenty-first century that are contributing to a peculiar state of civilizational stasis – dilemmas and roadblocks that most of us have come to take for granted and internalized as integral elements of the fabric of societal life, and which obstruct creative theorizing beyond the social, political, and economic status quo.

Max Horkheimer ([1937] 1986) had formulated both the concept and the agenda of “critical theory” in the United States during the 1930s, as a critique of modes of theorizing that had been able neither to predict nor to grasp the significance of National Socialism, and it was the combined catastrophes of World War II and the Holocaust that inspired Horkheimer to coauthor with Theodor W. Adorno, his indispensable and very active collaborator, the work that remains the most important text of the early Frankfurt School and, arguably, of critical theory as a whole, *Dialectic of Enlightenment* ([1947] 2002).¹ Yet, contrary to appearances, the end of the War, the victory over totalitarianism, and the liberation of concentration camps did not render unnecessary the theoretical agenda that had taken shape during the decade prior. Most “traditional” (i.e., noncritical – in the sense outlined by Horkheimer) social theorists hurried to return to business as usual, to worry, in the name of advancing *sociological theory*, about how

to devise and pursue an agenda of high-quality research in sociology, and how to formulate pertinent and guiding questions that would provide the discipline with a high degree of unity and internal consistency, and corresponding respectability within the academia and beyond. By contrast, critical theory – at least in sociology – continued to be concerned with issues that most members of the discipline ignored, the deficits that characterize much social research, and the challenges that must be taken on, even and especially when doing so causes major discomfort and cognitive dissonance among theorists, sociologists, and audiences alike.

Whereas the formation of critical theory was influenced directly, though not exclusively, by the rise of National Socialism in Germany and the concurrent need for the members of the Institute of Social Research in Frankfurt to leave their native country and to settle in the United States, the sociohistorical conditions that provided the context for the linguistic turn during the early 1970s seemed to be of a different quality entirely. The issues and the audiences Jürgen Habermas – as the main representative of the second generation of critical theorists – had in mind when he advocated (and executed) the linguistic turn were rather different from those of the early critical theorists, especially Max Horkheimer, Herbert Marcuse, and Theodor W. Adorno. Still, despite the continuously growing discrepancy between Habermas's rendering of critical theory and theirs, commonalities remained.

Among the differences that kept deepening was Habermas's lack of familiarity with – and interest in – economic issues, a deficit that applied to second generation critical theorists more generally, though to differing degrees (see, e.g., Oskar Negt, Claus Offe, Alfred Schmidt, Albrecht Wellmer, among others). It is one of the distinguishing features of the first generation of critical theorists that they grew ever more concerned with the ways in which successive transmutations of the economic process and forms of economic organization in the age of corporate capitalism influenced and shaped social, political, and cultural forms of life and coexistence, in ways that were beyond the reach of most of those affected, including many social scientists. Yet the degree of sophistication of the early Frankfurt School's analyses of the inner workings of "postliberal capitalism" left a lot to be desired.

As one of the earliest members of the Institute of Social Research (even prior to 1930, when Horkheimer was chosen to become its new director), the "resident economist" at the Institute, Friedrich Pollock, was not as theoretically refined, nor as broadly educated in philosophy, sociology and the arts, as the other, more well-known members. Yet within the disciplinary division of labor at the Institute, Pollock was in charge of providing the

empirical underpinning for analyzing the link between the nature and logic of the capitalist process, and corresponding societal changes, during the second quarter of the twentieth century. In light of the fact that the scholars at the Frankfurt Institute saw themselves squarely in the tradition of Marxian critical theorizing, the relative lack of theoretical sophistication on the part of Pollock constituted a conspicuous deficit. Chapter 1 traces the origins of the theory of the economy at the basis of early Frankfurt School critical theory, its relationship to Horkheimer's concept of instrumental reason, and his and Adorno's related, more fully developed critique of reason in human civilization, in *Dialectic of Enlightenment* ([1947] 2002). In its first incarnation, this chapter was a paper presented in 1997, at a conference organized by the Hannover Institute of Philosophical Research in Germany. My "assignment" was to relate the economic theory of the early Frankfurt School to "the theory of capitalism in the German economic tradition," that is, the German Historical School, as it was represented in the works of Gustav von Schmoller, Max Weber, and Werner Sombart. Starting out from an assessment of the influence that Rudolf Hilferding's *Finance Capitalism* ([1910] 1981) and Lukács's *History and Class Consciousness* ([1923] 1971) had exerted on theoretical debates in Leftist circles in Germany after World War I, I traced the economic theory of the Frankfurt School as developed by Pollock to the rather different and more compelling writings of Franz Neumann, and concluded with a brief discussion of Postone's "reinterpretation of Marx's critical theory" (1993).²

Both in terms of theoretical heritage and theoretical logic, the most important sources of the tradition of critical theory are the writings of Karl Marx and Max Weber, as they are centered on issues pertaining to the logic of economic processes in capitalism, and related patterns of rationalization. In addition, the philosophical works of G. W. F. Hegel and the psychoanalytical writings of Sigmund Freud played key roles in the tradition's formation. Still, for efforts to theorize the nature of the relationship between economy, society, culture, and political institutions in modern societies, Marx and Weber are most central, and usually can be interpreted as emphasizing either one or the other. Critical theory placed greater emphasis on Marx, and its writings and tools can be understood as contributions to *Weberian Marxism*. Though less well-known than Western Marxism, *Weberian Marxism* has been concerned with the need to scrutinize the affinities and concurrence of processes of capital accumulation and rationalization, and how both together energized the shift from feudal to modern society, in the process molding in new ways what used to be regarded as inherently human qualities theorized in the liberal political tradition as *human nature*. Weberian Marxists understand

such dimensions of social life as forms of solidarity, modes of communication, and types of labor as both artifacts of the transition from feudal to modern society, and as opportunities to access and make discernible the underlying forces driving ongoing societal changes in the modern age. Lukács was one of the founders of Western Marxism, and with his introduction of the concept of *reification*, a most important influence in the development of Weberian Marxism.

Taking as the jumping-off point Habermas's repeated assertions from the 1960s to the early 1980s, regarding the close affinity between his own theoretical endeavors and those of Lukács and the early Frankfurt School, and the influence their writings exerted on his, Chapter 2 traces Habermas's claims regarding the importance of Lukács's thought on his own. Though Lukács was not a member of the Frankfurt School, and rather critical of its intellectual ventures and the political stances most of its members took, the influence he exerted on the tradition's development was so major that it would be difficult to imagine how the latter would have emerged without the contributions of the former. As it turns out, the range of Lukács's contributions that played a role in the formulation (and formation) of Habermas's critical theory was surprisingly narrow. Still, there are undeniable affinities between their respective versions of Weberian Marxism, and Habermas's claims at the time that his project retains strong related ties is convincing to a certain degree. Interestingly, though, it also is quite apparent that while Lukács was a Weberian *Marxist*, Habermas is better understood as a *Weberian* Marxian.

With the linguistic turn in critical theory, the earlier focal points of critical analysis from Marx to Adorno – alienation, commodity fetishism, reification, instrumental reason, and identity thinking – receded into the background, or disappeared entirely. By the time Habermas had turned his attention of matters of deliberative democracy (Habermas, [1992] 1996), *reification* had come to be regarded as little more than a contribution to the critical history of ideas that had become outdated. Chapter 3 (completed a few months before the publication of Chapter 2) traces the history of the concept of reification from Lukács to Adorno, and the relatively major loss of both critical and theoretical impetus in the context of Habermas's theory of communicative action, which at the time contained the last instance of the concept being discussed prominently in the tradition. This chapter contains the first instance, both in this volume and in my writing more generally, of issues of “space” acquiring a theoretical significance comparable to “time.” My research interests (and intellectual identity) had been driven from early on by an awareness of and a concern with the gravity specific sociohistorical contexts exert on the

appearance and development of concepts, projects, and major contributions in theory.³ Yet the primary emphasis had been on the importance of historical context. Now, societal context began to receive focused attention as well. As a consequence, the chapter contains a section on “Reification in America,” and an initial attempt to circumscribe a comparative approach to theory. Thus, the grounding of my interest in critical theory in German society and academia, combined with the intention to take steps toward the explicit reconceptualization of the tradition as a “German-American co-production” (as it were), since the program of critical theory had been formulated and refined, not in Germany, but in the United States. In the chapter’s final section, I proposed that efforts to “overcome reification” may necessitate consideration of practically oriented strategies that do not fall squarely into the roster of reform versus revolution, but instead must be understood as attempts at radical reform – and that such strategies are more consistent with the practical thrust of critical theorizing than either reformist or revolutionary conceptions of qualitative social change.

Chapter 4 — the first of Part II — picks up where the previous one on reification left off. It is the first chapter that makes explicit reference to *globalization* as the larger sociohistorical context and the most effective category to capture the contradictory thrust and direction of societal change in the early twenty-first century. At the chapter’s core is the concept of *traditional Marxism* as Moishe Postone introduced it into critical theory discourse. In the first three chapters, the concept provided a foil for illustrating the kind of theoretical challenge critical theory will abandon at its own peril. In all the chapters included in this book, Postone’s efforts (especially 1993) to reinterpret and apply Marx’s critique of political economy as the first critical theory function as an indispensable road sign and indicator of future efforts to be made. In this chapter, *traditional Marxism* serves as a means to assess the compatibility with critical theory of arguments for basic income and related analyses and conceptualizations. Although Philippe van Parijs, the leading theorist of universal basic income, had never acknowledged in writing Postone’s works, just as the latter had not discussed the writings of the former (or the idea of basic income), my endeavor was directed at illuminating areas of overlap and convergence, which turned out to be striking indeed. In the effort to delineate a critical theory of social policies, this chapter provides my first explicit discussion of *alienation* as a theoretical category whose analytical power continues to be astonishing – quite contrary to the view commonly held during the 1990s that, as with *reification*, *alienation* had exhausted its usefulness, in a world that had moved far beyond the conditions that necessitated such concepts.

Rather than accepting the view that the focal points of critical theory, from *alienation* and *commodity fetishism* in Marx, via Lukács's concept of *reification* and Horkheimer's *instrumental reason*, to Adorno's *identity-thinking*, and even Habermas's *functionalist reason*, had become outdated in light of subsequent social changes, my work is informed by the hypothetical stance that these critiques continue to be relevant, that in fact they are more relevant than ever, and that they continue to become compounded even further as time goes by. Chapter 5 identifies the critique of alienation, in all of its compounded and multidimensional forms, as the overriding problem of critical theory – the problem independently of which it is not possible to demarcate the distinguishing contributions critical theory was devised to make. As the editors of the collection in which the chapter first appeared described the chapter's thrust,

Alienation ... is a consequence of the dialectical contradictions within the structure of capitalist political economy, in which a society based on the ownership of private property by one class makes certain adverse consequences inevitable for other classes. ... [A]lienation is the expression of fundamental systematic contradictions. But ... Marx's project went beyond that logic ... [and] developed a theory of modernity to explain the nature and causes of alienation, to illuminate how the totality of modern society is an expression of alienation, and to propose a means to overcome it. Interpretations of Marx that disregard this central concern neglect to draw attention to the fact that the tools we employ as social scientists to study the link between modern society and alienation are likely, in turn, to be expressions of the link they are supposed to illuminate. In order to enable full disclosure of the nature of contemporary alienation that exists in seemingly autonomous realms of subjectivity, interaction, or culture, Dahms calls for an invigorated, interdisciplinary, critical theory of society. (Langman & Kalekin-Fishman, 2006, pp. 4–5)

The dangers that the research efforts of social scientists might perpetuate or aggravate further features of social structure and societal life they were meant to scrutinize, make accessible, render tolerable or alleviate, are the themes of Chapter 6. In the interest of clarifying how the contributions that critical theory can and must continue to make to the social sciences in the twenty-first century are entirely indispensable to their mission (and, perhaps, their continued social relevance), the most problematic feature of mainstream approaches is presented as their inability – relative or absolute – to recognize how *exactly* – in time and space – their agenda and the tools they employ are socially situated and conditioned. Rather than presupposing a conventional understanding of “mainstream,” my “programmatic introduction” to the first volume for which I was responsible as Series-Editor highlights the impossibility to positively identify the character and perimeter of mainstream social

science work, and instead proposes a conception of *mainstream* as the absence of a specific type of reflexivity that is crucial for the pertinence, and the success (however it may be conceived, on its own terms) of the insights gathered or produced by social scientists. As I put it at the beginning of the chapter's closing paragraph, "identifying the perimeter of 'mainstream' approaches is both a necessary precondition for effective and pertinent social research, and a possible venue for illuminating the functioning and constitutional logic of modern societies" (p. 295, in this volume).

The chapters included in this volume differ from the versions originally published only insofar as errors have been removed, and references updated and synchronized. A final word may be due about the title of the book. "Vitality" refers to two meanings of the root term, "vital," above all. The first and obvious meaning is that critical theory is *vital*, in the sense of alive and well. The second, equally important meaning is that the practice of critical theory is *vital* to – the study of modern society and, in fact, modern society itself, and the future of human civilization. It is critical theory in the sense of persistent and indispensable practice. This practice is informed and inspired by the need to anticipate and prepare forms of *praxis* whose vanishing point is the prospect of facts and norms becoming increasingly reconciled, in ways that advance both, and thus, the condition of life on this planet.

I would like to thank two individuals, in particular. As Emerald's former Commissioning Editor for the social sciences, Claire Ferres shepherded *Current Perspectives in Social Theory* since I became series editor in 2007, and did a masterful job at that. It was her suggestion and strong encouragement to expand the portfolio of *Current Perspectives* to include single-authored volumes and monographs, to further solidify the place of the series in social theory, both in the English-speaking world, and beyond. This is the first such volume. I owe her a large amount of debt.

The second person I would like to thank is Lawrence Hazelrigg, the most active and supportive Associate Editor of *Current Perspectives* in recent years. I am grateful for his willingness to write the foreword for this volume, and for all the help, advice, and persistent encouragement he has been providing so generously.

Finally, I also want to express my gratitude to Assistant Commissioning Editor Gemma Halder and the hard work she has been putting into the success and quality of the series, and acknowledge the new Commissioning Editor, Andrew Smith. I am looking forward to continuing to pursue this venture, in years to come.

NOTES

1. All told, Adorno is the member of the Frankfurt School who influenced my thinking more than any other. See [Dahms \(2011\)](#).

2. A shorter version of this chapter appeared in volume 19 of *Current Perspectives in Social Theory* ([Dahms, 1999](#)) and focused on the role the unique environment of the Institute of Social Research provided in the formation of critical theory. Chapter 1, in the form included here, first appeared the following year, in a volume of essays based on the papers presented at the above-mentioned conference. Also note the similarity in argument and outlook between this chapter and [Postone and Brick \(1993\)](#) – a contribution I was not aware of while conceiving and writing my chapter. However, their emphasis was on the profound pessimism at the core of the early Frankfurt School’s perspective, and focused strictly on the Pollock–Horkheimer dynamic.

3. Thus my interest in dynamic processes. See Vol. 27 of *Current Perspectives in Social Theory*: “Theorizing the Dynamics of Social Processes.” See also [Dahms \(2002, 2009\)](#).

PART I
CRITICAL THEORY FROM LUKÁCS
TO HABERMAS

CHAPTER 1

THE EARLY FRANKFURT SCHOOL CRITIQUE OF CAPITALISM: CRITICAL THEORY BETWEEN POLLOCK'S "STATE CAPITALISM" AND THE CRITIQUE OF INSTRUMENTAL REASON[☆]

INTRODUCTION: THE FRANKFURT SCHOOL AND THE GERMAN HISTORICAL SCHOOL

Despite profound differences, both the German Historical School and the critical theory of the Frankfurt School have in common a theoretical and cultural heritage in Central European traditions of social thought and philosophy. Although both schools often are perceived as quintessentially German traditions of economic and social research, their methodological presuppositions and critical intent diverge strongly. Since the objective of the Frankfurt School was to carry the theoretical critique initiated by Marx into the twentieth century, and since its members did so on a highly abstract level of theoretical criticism, the suggestion may be surprising that in terms of their respective research agendas, there was a common denominator between the German Historical School and the Frankfurt School critical theory. To be sure, as will become apparent, the common ground was rather tenuous and indirect. We must ask, then: in what respects did their theoretical and

[☆]I presented the first version of this chapter at the Fifth Annual Studies on Economic Ethics and Philosophy Conference, Hannover Institute of Philosophical Research, entitled: "Economic Ethics and the Theory of Capitalism in the German Tradition of Economics – Historism as a Challenge to the Social Sciences," Marienrode Monastery, Hildesheim, Germany, October/November 1997.

analytical foundations and orientations overlap? How did the German Historical School, as a nineteenth-century tradition of economic thinking, influence the development of the Frankfurt School?

During its early phase, the German Historical School distinguished itself as a compelling alternative to the conflicting modes of analyzing the modern economy and the capitalist production process put forth by classical and neoclassical economic theory, on the one hand, and Karl Marx's critique of political economy, on the other. As a tradition with theoretical intent, the German Historical School was concerned with the actual inner workings of the capitalist market economy, and its embeddedness in social, political, religious, and cultural traditions and structures. Accordingly, this tradition emphasized on data collection and historical accuracy rather than theoretical abstractness. It was not oriented toward designing a highly formalistic model for determining the nature of the relationships between different factors and dimensions of economic production and distribution, as in neoclassical economic theory. Neither was the German Historical School concerned with assessing the effects of the capitalist market economy on politics, culture, and society in bourgeois societies, as had been the motive force behind Marx's critique of political economy.

By contrast, Frankfurt School critical theory emerged as the project of reconstructing Marx's critique of bourgeois society and the liberal-capitalist mode of production, as applied to the socioeconomic formation that emerged during the early decades of the twentieth century.¹ Toward this end, the members of the Frankfurt School – Max Horkheimer, Herbert Marcuse, Friedrich Pollock, and Leo Lowenthal from the beginning, later to be joined by Theodor W. Adorno – combined Hegel's dialectical philosophy, Marx's critique of political economy, Weber's theory of rationalization, Lukács's critique of reification, and Freud's psychoanalysis, to formulate a systematically critical theory of capitalist society. In fact, the Frankfurt theorists were determined to establish the foundations for the *most theoretically sophisticated and complex critique* of the advanced capitalist society that emerged during the early twentieth century.

To assess the specific nature of the influence the German Historical School exerted on the Frankfurt School critical theorists, we must first recognize the most distinctive feature of the latter as their attempt to reformulate and apply Marx's critique to a *qualitatively later stage* of capitalist development. To do so, the members of the Frankfurt School rendered a reconstruction of Marx's critique of political economy that drew on the emerging social sciences, especially sociology, and on advances in the analysis of the capitalist process made since Marx. In this critical-theoretical reconstruction of Marx's critique

for purposes of analyzing the advanced capitalist mode of production in relation to its social organization since the late nineteenth century, the works of one member of the German Historical School featured especially prominently: the analyses of Max Weber. Among Weber's various scholarly contributions, his attempt to determine why modern capitalism emerged only in the West was especially important, along with his answer to this question on the basis of the "Protestant ethic" thesis (Weber, [1905] 2002). It is Weber's related theory of rationalization as the underlying principle of the rise of capitalism, and his concurrent critique of bureaucracy that constitute the link between the German Historical School and the Frankfurt School.

The Frankfurt School critical theory of society is mostly known for its culturalist critique of capitalist society, in terms of a *critique of instrumental reason*. This critique was generalized to theorize the patterns of human civilization as a whole as they culminated in the contradictions of modern society. Yet, like Marx's own critical theory of capitalist society, including all Marxist theories centering around the concepts of alienation and commodity fetishism, the Frankfurt School culturalist critique of capitalist society must rest on the foundations of the critique of political economy. And indeed, the Frankfurt School's culturalist critique of capitalism is based on its own critique of political economy. Yet while the critical theorists placed themselves squarely in the tradition of Marx's radical critique of capitalism, their analysis of capitalism was not focused on a comparable critique of political economy modulated to discern the specifics of the mode of production in postliberal capitalism. Instead, they contended, the importance of the critique of political economy had been superseded by the need for a critique of the cultural manifestations and forms of coexistence that emerged in postliberal capitalism, in terms of a radical critique of ideology. We must ask, then: How did the Frankfurt School theorists revise and update Marx's critique of political economy to apply to conditions of *postliberal* capitalism?

As will become apparent, it is both in relation to the Frankfurt School's *political-economic* analysis of advanced capitalism and the *culturalist* critique of modern society (with the former serving as the foundation for the latter) that the influence of the German Historical School is most important. In relation to the critique of political economy, it is the newly emerging centrality of bureaucracy to advanced capitalist organization (drawing on Weber's theory of bureaucratization); in relation to the culturalist critique of capitalism, it is the "reifying" effects of organized capitalist production on all aspects of society (drawing on Weber's theory of rationalization).

The political-economic analysis of advanced capitalism is the far less well-known aspect of critical theory, and the more neglected in the recent revival of

interest in this theoretical tradition, as it centers on the critique of the pernicious effects of the capitalist mode of production on politics, culture, and society.² Incidentally, the scholars at the Institute who were responsible for the analysis of concrete economic and political organizations and institutions, including political economy and constitutional issues, also remain less well-known, most notably Pollock, Franz Neumann, and Otto Kirchheimer. Yet the Frankfurt School's cultural critique of capitalism neither can be fully appreciated without familiarity with the underlying political-economic analysis nor would the former have been possible without the latter.

In concentrating on this *political-economic* dimension, the Frankfurt School project appears in relation to both Marx and Weber, whose respective works were the two most important sources for the development of critical theory, as far as its economic analysis of capitalism is concerned. To situate this project among the social sciences of the time, the Frankfurt agenda is relevant most as a step in the development of the tradition of "Weberian Marxism," pointing toward a social-scientifically sophisticated critical theory of postliberal capitalism.³ Within the Institute's division of labor, the task of analyzing the concrete forms of capitalist organization was delegated to one of its members: Friedrich Pollock was responsible for "updating" Marx's critique of political economy for the new stage of capitalist production and organization reached during the 1930s. Based on his research, the Institute's members started out from the assumption that during the 1930s, large corporations became the dominant form of economic organization in advanced capitalism, setting the stage for close cooperation between economic corporations and the state, in "state capitalism," pointing toward what the theorists later would call a "totally administered world." With this emerging cooperation, the stage of liberal capitalism had passed its climax – for all practical purposes.

Once Max Horkheimer, the Institute's director, had arrived at this conclusion, the Frankfurt theorists all but abandoned concern with the specificity and "inner logic" of the economic process in advanced capitalism, rudimentary as it had been to begin with. They turned their attention toward the nature of the effects of capitalist production under conditions of postliberalism on all aspects of society, in terms of the critique of instrumental reason. As will become apparent, however, in the end the *specific* political-economic analysis that informed the development and orientation of the Frankfurt School critical theory of society during the 1930s and 1940s, which was integral to its general critique of capitalism as the culmination of human civilization, rested on a flawed diagnosis. Yet, since all theories are likely to be in need of revision and flawed in one way or

other, my purpose here is not to show *that* the early Frankfurt School critique of capitalism was deficient, but how its deficiencies reverberate both in the general perspective and in the details of the early critical theory of society, and how it warped the culturalist critique of western civilization for which the Frankfurt School is best known.

Finally, why is it that the Frankfurt School's critique of political economy has remained so relatively unknown, while their culturalist critique continues to attract attention? How compelling is Pollock's conclusion today, that the new arrangement between the economy and the state taking shape during the 1930s was best described in terms of "state capitalism"? How did he characterize this new arrangement, and how did his analysis influence the Institute's research agenda? To address these questions, it will be necessary to turn to the two major early-twentieth-century analyses that combined motives of Marx's critique of political economy and of Weber's theory of rationalization, and which prepared the Frankfurt School: Rudolf Hilferding's *Finance Capital* ([1910] 1981) and Georg Lukács's *History and Class Consciousness* ([1923] 1971). These works were attempts to apply Marx's critique to a later stage in the development of capitalist society, considering transformations Weber tried to grasp in terms of his theory of rationalization. Situating the specific agenda of the Institute of Social Research in Frankfurt among related attempts to revise Marx's critique of capitalist society by employing Weber, it will become apparent how Pollock's version of the critique of political economy culminated in the concept of "state capitalism." How did it compare to Neumann's "totalitarian monopoly capitalism" – developed in the context of his comprehensive analysis of National Socialism – as an alternative to Pollock's concept? How did Pollock's writings influence the development of critical theory during the 1940s, specifically Horkheimer's concept of the "authoritarian state," and the critique of instrumental reason developed by Horkheimer and Adorno in *Dialectic of Enlightenment* ([1947] 2002)?

FROM MARX AND WEBER TO "WEBERIAN MARXISM": LUKÁCS AND HILFERDING PREPARE THE CRITICAL SOCIAL THEORY OF THE FRANKFURT SCHOOL

The critique of capitalism developed during the 1930s and the 1940s by the Frankfurt School critical theorists constitutes the third wave of attempts

during the early decades of this century to develop a critical theory of advanced capitalism. In 1910, the economist Rudolf Hilferding had published *Finance Capital*, a work Karl Kautsky regarded as the fourth volume of Marx's *Das Kapital* (see Glaser, 1981, p. 214). Though Hilferding had concentrated on developing the analysis of the latest stage of capitalist development, imperialism, his work was the first sustained analysis of the emerging stage of organized capitalism. During the years following World War I, the philosophers Georg Lukács and Karl Korsch published works – *History and Class Consciousness* and *Marxism and Philosophy*, respectively – that today are regarded as the founding texts of Western Marxism (along with Antonio Gramsci's more politically oriented writings).⁴ The works of this second wave explicitly reflected on the fact that the proletarian revolution had occurred not in one of the advanced capitalist societies, as according to Marx's theory, but in economically and politically backward Russia. Independently of each other, Lukács and Korsch responded by working toward a reformulation of Marx's critique designed to facilitate the socialist transformation of advanced western capitalism. The objective was to formulate an updated critique of political economy which, by taking into consideration advances made in the social sciences since Marx, would analyze and reflect on changes that had occurred in the most developed capitalist economies and their social organization during the decades following Marx's death in 1883. Like their predecessors, the Frankfurt School theorists during the 1930s tried to meet this challenge by developing an analysis of advanced capitalism that combined Karl Marx's critique of political economy with motives Max Weber systematized in his theory of rationalization.

The purpose of Marx's critique of political economy had been to discern the general relationship between the mode of production characteristic of a specific stage of societal evolution and the corresponding relations of production – the structure of inequality in society, especially as far as the ownership of the means of production was concerned, and conditions of political, social, and cultural life. Before we can elucidate the nature of the relationship between the cultural and the economic-structural critiques of capitalism in the Frankfurt School's critique of capitalism, we need to recall Marx's approach to the problem.

Marx did not start out as the critic of political economy. Indeed, the vanishing point of his early writings was a critique of alienation. Yet he soon realized that his "culturalist," philosophical critique of bourgeois society (centered on the concept of "alienation," and applied first to political philosophy as represented by Hegel, and then to classical political economy

as represented by Adam Smith) was not sufficient. On the basis of a critique of alienation, it would not be possible to lay the critical-theoretical foundation for an effective practice of societal transformation. The critique of political economy became necessary to remedy this problem. The centrality of political economy to Marx's theory is expressive of the fact that the underpinning of all things social, political and cultural, are economic in nature. But Marx did not claim that the nature of the former can be grasped fully on the basis of an understanding of the economy. Rather, without an understanding of how the organization of society represents a response to the economic challenge of material production and reproduction, there cannot be any critical and systematic understanding of politics, culture, and society. Accordingly, before we can conceive of a truly socially transformative practice, we need to understand the economic foundations of the social and political order. Marx wanted to determine the necessary conditions for identifying, and seizing upon, the potential for emancipatory social transformation in capitalist society. As he developed his critique of political economy, Marx realized that neither alienation nor political economy as such were sufficient. Instead, the concept of "commodity fetishism" replaced the former "alienation": commodity fetishism is the "basic" economic mode of mediation that determined the nature of the superstructure – patterns of political, social, and cultural reproduction – in capitalism (Marx, [1967] 1977, pp. 163–177).

By contrast, Max Weber had set out to analyze the underlying dynamic of the development of capitalism, to discern whether the logic of capitalist development described by Marx was the source of social transformations in modern society, or instead the manifestation of a more fundamental process shaping all the spheres in western capitalist societies. The most important structural change that is related to the most significant analytical change, as far as the role of Marx's theory in the social sciences is concerned, was the rise of modern bureaucracy within the economy, and its theoretization by Max Weber in terms of his theory of rationalization. On the basis of his studies of the religious foundations of the spirit of capitalism in *The Protestant Ethic and the Spirit of Capitalism* (Weber, [1905] 2002), *The Social Psychology of World Religions* (Weber, 1946), and his various contributions to the comparative sociology of religion in general, Weber concluded that in the rise of the modern economy, in the emergence of the administrative nation state, and in other spheres of society, including religion itself, a more fundamental process of rationalization was at play that determined the path of modernization in western societies, and increasingly, of every individual social value sphere as well. As a result,

large, rationally organized bureaucratic structures replaced traditional power relations across society.

While Marx had described and critiqued capitalism at the competitive stage, though arguing already at the time that large-scale production would be the necessary outcome of industrial capitalism, Weber developed his theory of rationalization during the period when big businesses, large corporations, and trusts and concerns emerged as the predominant form of economic organization. When he visited the United States at the beginning of the century, Weber was able to observe the beginnings of what was to transform the organization of the capitalist production process: the managerial revolution.

Following the example of Marx, Hilferding was most concerned with how to reformulate Marx's critique of political economy in a manner that grasped the nature of organized, "finance capitalism," as an important dimension of nineteenth-century liberal capitalism. He did not conceive of his analysis of finance capitalism as an application of Marx's categories and critique to a *qualitatively* later stage of capitalism.⁵ In the preface to *Finance Capital*, Hilferding had written:

In the following pages an attempt will be made to arrive at a scientific understanding of the economic characteristics of the latest phase of capitalist development. ... The most characteristic features of "modern" capitalism are those processes of concentration which, on the one hand, "eliminate free competition" through the formation of cartels and trusts, and on the other, bring bank and industrial capital into an ever more intimate relationship. Through this relationship ... capitalism assumes the form of finance capital, its supreme and most abstract expression. (Hilferding, [1910] 1981, p. 22)

Instead, *Finance Capital* was an attempt to complete the final step in the critique of political economy Marx had identified as essential in the *Grundrisse*, but had not been able to engage himself.⁶ To achieve this objective, Hilferding applied a perspective that is highly compatible with Weber's analyses of the increasing bureaucratization of the world, including the economy, though Hilferding did not acknowledge that Weber influenced his own analysis. Whether Weber's studies on rationalization enabled Hilferding to analyze monopoly capitalism as a more differentiated and rationalized organization of the capitalist process or not, there is a fundamental affinity in their motives: that the capitalist process is becoming ever more complex, integrated, and large scale.⁷

It was only during the years immediately following after World War I that the next systematic attempt to "update" Marx was undertaken. In this case, Max Weber's writings on rationalization set the stage for reformulating Marx's philosophically sophisticated critique of capitalism. Georg Lukács

combined Marx's critique of commodity fetishism and Max Weber's theory of rationalization to reconstruct Marx's early philosophical critique of alienation as a critical theory of reification. "Reification" expresses the effects of the capitalist mode of production on human beings and society as *second nature* – at a later stage of capitalist development: advanced, monopolistic capitalism.

Lukács did not engage in a critique of political economy à la Marx himself, however, nor did he rely on any sources that would have provided him with a thorough Marxian analysis of the advanced capitalist mode of production. In his attempt to reconstruct the core of Marx's critique of political economy, Lukács did not explicitly take into consideration changes that had occurred in the organization of capitalism. In fact, Lukács arrived at his critique of reification as the defining *effect* of capitalist production at the beginning of the early twentieth century, *by default*. Still, the foundations for the Hegelian brand of Weberian Marxism were laid.

Lukács combined Marx the critic of alienation and of commodity fetishism, with Weber the theorist of rationalization and the critic of bureaucracy. Lukács's *History and Class Consciousness* was one of the main inspirations for the founders of the Institute of Social Research. Though Lukács was not explicitly concerned with the challenge of analyzing specifically early-twentieth-century capitalism, he considered Weber's theory of rationalization essential to complete the Marxian critique of alienation and commodity fetishism. By combining these elements, Lukács could formulate his own critique of capitalism in terms of a critique of reification as the defining effect of the capitalist mode of production on all aspects of social life.

As a result, Lukács theorized the early-twentieth-century mode of capitalist production *without* explicitly setting out to do so, since at the time when Marx worked out his critique of political economy, the state of affairs in Britain and Germany, the two societies with which Marx had extensive primary experience, had not reached the point where it was possible to discern the bureaucratizing tendency overtaking capitalism – yet. In the 1880s, the managerial revolution that would fundamentally change the face of modern capitalism, and whose theoretical and analytical implications social scientists only began to recognize around the beginning of the second quarter of this century, was just about to begin in the United States.

One year after the Russian Revolution, during the months following the German Revolution at the end of World War I, Lukács "decided" to become a communist as he was driven by the determination to reformulate Marx's critique of capitalism so as to enable the proletariat in the West to engage what had happened in the East, but should have happened in the

advanced West: a socialist revolution. In “Reification and the Consciousness of the Proletariat,” the main essay in *History and Class Consciousness*, Lukács took Weber’s analysis of the increasing entwinement of state and economy at the stage of large-scale capitalist enterprises, along with their need for highly organized bureaucracies, as a given:

[C]apitalism has created a form of the state and a system of law corresponding to its needs and harmonizing with its own structure. The structural similarity is so great that no truly perceptive historian of modern capitalism could fail to notice it. Max Weber, for instance, gives this description of the basic lines of this development: Both are, rather, quite similar in their fundamental nature. Viewed sociologically, a “business-concern” is the modern state; the same holds good for a factory: and this, precisely, is what is specific to it historically. (Lukács, [1923] 1971, p. 95)

While Lukács was familiar with Hilferding’s writings, in *History and Class Consciousness* he barely acknowledged any influence. Clearly, in his critical analysis of the consequences of the advanced mode of capitalist production, he did not follow Marx’s critique of political economy. The concrete forms of economic organization remain in the background. Lukács formulated his critique of reification, drawing on his reading of Marx’s critique of commodity fetishism, on Weber’s theory of rationalization, and on Simmel’s *Philosophy of Money* ([1907] 1990) – in the process *reconstructing* Marx’s early critique of alienation, since the *Economic-Philosophical Manuscripts* had not been rediscovered at the time. Indeed, Lukács did not systematically consider the level of economic organization.⁸ Yet his reinterpretation indirectly reflected the changes that had occurred in the organization of capitalism.⁹

Between Hilferding’s and Lukács’s respective reformulations of Marx’s critique of political economy, we can see for the first time, and to the fullest extent, the separation of the analysis of the concrete organizational forms of the capitalist mode of production, and the analysis of its implications for forms of social life. As we will see, following Hilferding, the Frankfurt School critical theorists regarded monopoly capitalism as the *most decisive developmental tendency* of advanced capitalism. It inspired their attempt to further refine Lukács’s theory of reification, one decade after its initial formulation, with reification as the category for analyzing the *most consequential effect* of the capitalist mode of production on society.

Though Hilferding’s *Finance Capital* and Lukács’s critique of reification are important examples for analyses inspired by the theories of Marx and Weber, they constitute rather *implicit* attempts to reformulate and apply Marx’s critique to a later stage in the development of capitalism, by considering Weber’s theory of rationalization. In Hilferding, it is more the

spirit of Weber's theory of rationalization, emphasizing the growing importance of bureaucracies and expanding control of organizations over every aspect of society that is combined with Marx's critique; in Lukács (and the Frankfurt School), the simultaneous presence of Marx and Weber is more central, though barely acknowledged.

Still, there can be no doubt that Weber's critical analyses of Marxian issues, particularly the origins of capitalism in terms of a process of continually expanding rationalization, had a profound impact on Central European social scientists during the first decades of this century.¹⁰ While Lukács has long been recognized as a "founder" of the tradition of Western Marxism, more specifically in the sense of Weberian Marxism, Hilferding is usually not considered a contributor to Western Marxism. Instead, Hilferding is counted among the *Austro-Marxists*, who, as Ben Agger put it, "divided Marxian science and Marxian ethics," adhering to "a Weberian type of Marxism [that] split between empirical causality and ethical optimism and values, ... avoid[ing Rosa] Luxemburg's activism while remaining faithful to Marx, combining socialist 'values' and Marxian 'science'" (Agger, 1979, p. 83). Though both the contributions of Hilferding and Lukács were influenced more or less directly by the works of both Marx and Weber, there are important differences in their respective readings of these classics.

During the 1920s, Lukács and Hilferding went in opposite directions. Hilferding, who had belonged to the more radical Independent Social Democrats during World War I, played an important role in their reconciliation with the Majority Social Democrats. He was finance secretary twice during the Weimar Republic. By contrast, Lukács recanted his analyses and conclusions in *History and Class Consciousness* after being forced to do so at the Fifth Comintern in 1925. The further the decade progressed, the more ardently communist Lukács became. The pattern of their differences is most conspicuous with regard to their respective attitudes toward the subject of history: to Lukács, it had to be the proletariat, while to Hilferding the rise of socialism had to entail a transformation of society as a whole, before the socialist revolution. As Lukács put it in his essay on "What is Orthodox Marxism?":

[T]he essence of the method of historical materialism is inseparable from the "practical and critical" activity of the proletariat: both are aspects of the same process of social evolution. So, too, the knowledge of reality provided by the dialectical method is likewise inseparable from the class standpoint of the proletariat. (Lukács, [1923] 1971, p. 21)

With implicit reference to Hilferding's *Finance Capital* ([1910] 1981),¹¹ he continued:

The question raised by the Austrian Marxists of the methodological separation of the "pure" science of Marxism from socialism is a pseudo-problem. For, the Marxist method, the dialectical materialist knowledge of reality, can arise only from the point of view of a class, from the point of view of the struggle of the proletariat. To abandon this point of view is to move away from historical materialism, just as to adopt it leads directly into the thick of the struggle of the proletariat. (Lukács, [1923] 1971, p. 21)

In terms of the high-standard characteristic of Marx's philosophical-theoretical foundations of his critique of political economy, his contributions were not followed by any prominent attempts to apply his perspective to the stage of capitalist production emerging in the late 1800s in the United States and – with some delay – in Germany. Developments in the political economy of Germany, foreordained during the first two decades of the century, came to full bearing in the Weimar Republic, during the 1920s. These developments were analyzed by social scientists like Hilferding, Lederer, Heimann, Schumpeter, and others.

Yet Hilferding's *Finance Capital* and Lukács's *History of Class Consciousness* foreshadowed the two dimensions of Weberian Marxism as a social-theoretical research program designed to trace the changing relationship between the evolving capitalist mode of production and its effects in society. In the German-speaking world, Weber's theoretical contributions on rationalization and bureaucratization greatly influenced early-twentieth-century reinterpretations and applications of Marx's theory both in Austro-Marxism and in Hegelian Marxism, engendering a major qualitative and theoretical transformation of Marxian theory. This transformation was related, more or less visibly, to Weber's idea of the "inner logic of value spheres" – his insight that we must carefully identify the developmental logic of all the different spheres in society and their empirical constellation, before we can consider the feasibility of changing that constellation.¹² These value spheres are centered around the diverse values that are being generated and regenerated in order for an advanced capitalistic society to function. To grasp the nature and unique features of modern societies, we must be willing to concede that each value sphere – the economy, the administrative state, the legal system, the education system, etc. – is related to a function that is essential to these societies' survival. Further, each value sphere must be demarcated, at least to some degree, by a developmental "inner logic" of most rationally solving the type of problems specific to the value sphere at hand. Along these lines, and for the purpose of

this chapter, Weberian Marxism is oriented toward the development of a “critical theory of the inner logic of value spheres.” Though the Frankfurt School did not succeed fully, as will become apparent, it represents an important step in the right direction (see [Dahms, 1999](#)).

DIVIDING THE LABOR OF CRITICIZING POSTLIBERAL CAPITALISM: FRIEDRICH POLLOCK AT THE INSTITUTE OF SOCIAL RESEARCH

In 1924, the Institute of Social Research was founded under the leadership of Carl Grünberg, a German “socialist of the chair” (*Kathedersozialist*). The Institute, with an explicit orientation toward the systematic analysis of society, was designed to revise Marx’s critique of capitalism and bourgeois society, and to utilize social research toward that end in the process. When the Institute opened in 1924, the general sense that led to its establishment was that Marxian theory was in need of rejuvenation; during the preceding year, Lukács’s *History and Class Consciousness* ([1923] 1971) as well as Karl Korsch’s *Marxism and Philosophy* ([1923] 1970) had appeared, giving the desire for a reconstruction of Marx’s theory, using social-scientific theories and techniques, a strong impetus. During the early years, before the formulation of the project of a critical theory of society and the program of the Frankfurt School, the research conducted at the Institute was geared toward providing a theoretical alternative to both social democracy with its real-political orientation and a western alternative to the theory that informed the Soviet experiment. The objective was to create the context for developing a systematic analysis oriented toward identifying the necessary social, political, and cultural preconditions for a successful proletarian revolution.

Under the leadership of its first director, Carl Grünberg, the research conducted at the Institute was directed toward the condition of the working class and the labor movement. It was not the Institute’s purpose to develop a distinct critique of capitalism within the tradition of Marx’s critique of political economy. While during its early years the activities and successes at the Institute were not especially noteworthy, the circumstances changed profoundly when Max Horkheimer, a professional philosopher, was chosen as the new director of the Institute in late 1930.

With Max Horkheimer at the helm, the definition of the Institute’s purpose underwent a major transformation. Horkheimer brought a new

impulse to the work conducted at the Institute, and pursued a new program that shaped the research agenda for decades to come. To Horkheimer, the research objective was *precisely* to update Marx's critique to considerably altered sociohistorical conditions: the issue was no longer the critique of political economy in the sense of the accumulation process and its intricacies, but the critique of *political* economy – the relationship between the state and the economy. To develop a sophisticated and systematic critical theory of advanced capitalism as postliberal capitalism, two necessary steps had to be taken. First, the problems and promise of this socioeconomic formation needed to be examined in terms of how the underlying contradictions of capitalism had changed, and how new opportunities for societal transformation had arisen since Marx had developed his theory. And second, in the process of analyzing postliberal capitalism, the question had to be answered: does the critical analysis of this new formation, on the basis of Marx's critique of political economy, reveal flaws in Marx's theory itself? To analyze this new social formation in the most rigorous fashion, Horkheimer regarded it as essential to draw on advances that had been made since Marx's death, in the theoretical and social-scientific understanding of capitalist society. To be as social-scientific as possible, and, heeding the increasing division of labor, to integrate Marx's unsurpassed critique, directed at overcoming capitalism's contradictions, needed to be integrated with contributions made by the social sciences – as an explicitly collaborative effort.

This critique of *political* economy was to be the foundation for the more important cultural critique of capitalism: a social-scientifically more refined version of Lukács's critique of reification that would consider the actual sociohistorical circumstances and the potential for social transformation it entailed. In other words, what appeared in Marx as critiques of alienation, political economy, and commodity fetishism – and what had been intrinsically entwined in Marx's own theoretical work – reappears in the Frankfurt School in a different constellation, to be understood in terms of the division of labor. In a sense, the Frankfurt School critical theorists followed the pattern of Hilferding and Lukács, where the critique of political economy and of alienation/commodity fetishism had fallen apart: different members of the Institute were responsible for analyzing different dimensions of postliberal capitalism. At the next stage, the pieces were to be recombined by Horkheimer and his colleagues, to address as Horkheimer put it in his inaugural lecture at the University of Frankfurt,