Helmut Staubmann · Victor Lidz *Editors*

Rationality in the Social Sciences

The Schumpeter-Parsons Seminar 1939-40 and Current Perspectives

Springer

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Editors' Introduction: The Harvard Rationality Seminar

Helmut Staubmann and Victor Lidz

The Harvard Rationality Seminar

In the academic year of 1939–1940, an unusual interdisciplinary seminar on the general topic of Rationality was conducted by a number of faculty members and advanced graduate students at Harvard University. Of particular interest throughout was the question of how rationality should fit into the basic premises and categories of intellectually disciplined thought about human conduct, especially in the social sciences—economics, sociology, political science, anthropology, psychology, and psychiatry. Of note, many of the participants were figures already distinguished in their respective disciplines or who, we now know, had distinguished careers in their futures.

The present volume is organized about the seminar. The first section presents documentary materials from presentations to and discussions in the seminar—all that remain, we believe—or essays that some participants later published based on their seminar presentations. The seminar materials were collected by Helmut Staubmann in 2013/2014 during a sabbatical in Cambridge, Massachusetts, where he was able to retrieve them from the Harvard University Archives, predominantly from the Talcott Parsons Papers. The second section consists of contemporary essays by a variety of social scientists who reflect either on the major essays themselves or on aspects of the topic of rationality in relation to human social action. In a briefer third section, we present correspondence pertaining to the

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seminar, including plans to publish papers from it and later reflections about its importance.

Joseph A. Schumpeter and Talcott Parsons

Joseph A. Schumpeter and Talcott Parsons were the two main figures who proposed, convened, and organized the seminar or discussion group. Both were ideally qualified as scholars familiar with developments in sociology and in economics concerning the place of rationality. Both had focused their interests on the theoretical and conceptual foundations of the socio-economic disciplines in very comprehensive terms.

Talcott Parsons was among the first social scientists, after Max Weber, to think comprehensively and intensively about techniques for constructing frames of reference for the interdisciplinary study of human action or conduct. In *The Structure of Social Action*, published in late 1937, he had explored the conceptual schemes that key sociologists and economists of a previous generation had utilized. He argued that, although the several figures on whom he focused had written in basically different intellectual traditions, they had settled upon—he wrote of their having "converged" upon—equivalent sets of core concepts. He then demonstrated that these ideas, when probed, proved to derive from basically the same methodological and conceptual assumptions. Parsons called this procedure of identifying and then relying upon agreed-upon formulations the method of convergence, and he proposed that the essential areas of conceptual agreement could, and should, be used as an initial formulation of a general frame of reference for sociology. He maintained that the very fact that a common frame of reference had emerged from disparate and in some respects conflicting intellectual traditions spoke to its fundamental validity and essential nature. Later, in several stages, he explored further convergences through probing and technical analyses of the conceptual schemes of a wide range of additional figures, including a number of his contemporaries, thereby expanding the scope and increasing the precision of his frame of reference.

Throughout his lifetime, Parsons held that works written in the field of economics were essential to include in a general theory of action. Looking back to the early years of his work during a series of discussions he had with faculty and students at Brown University in 1973, he remembered: "I decided I would make a study of Marshall to try to tease out his sociological ideas. I wrote what turned out to be two papers, which I submitted to Taussig, who was then editor of the *Quarterly Journal of Economics*, and he kindly accepted them for publication. That was the real starting point of *The Structure of Social Action*, because I had a kind of a fulcrum in Marshall for systematizing the comparison between Marshall, English economics, the background in utilitarianism, and so on, with Durkheim, Pareto, and Weber. That was the main jumping-off place of that book and a very decisive one for me. That's something that has stayed with me" (Parsons 2006 in Moss and Savchenko2006).

We may note that Parsons had arrived at Harvard having studied, at the University of Heidelberg, the conception of modern capitalism in late nineteenth and early twentieth century German historical economics and had written his doctoral dissertation on that topic, emphasizing especially the contributions of Max Weber. Although he had some sponsorship for his scholarly interests in German historical economics from the important senior figure of F. W. Taussig, he had been astute enough to see that the predominant interest in the Economics Department, especially among its rising young faculty and graduate students, had been with the mathematical neo-classical economics built on the heritage of Marshall. It was on the basis of this perception that he had made the critical study of Marshall's work emphasized in the quotation above.

One of Parsons' influential encounters with economists in his early years at Harvard was with his senior colleague, Joseph A. Schumpeter. Schumpeter had come to Harvard around the same time (1927) that Parsons joined the faculty. But while Parsons was a comparatively lowly Instructor in Economics, Schumpeter was an internationally prominent Austrian economist, well known in the United States for his early work on economic development. Parsons mentioned several times his encounters with Schumpeter and how important they were for his own theoretical development.[1] In a "short account" of his intellectual development he wrote: "In the first year I was at Harvard Joseph Schumpeter was there as a visiting professor. I sat in on his course on General Economics, and it was here that I first began to get a clear conception of what a theoretical system was" (Parsons 1959: 6).

Schumpeter later dealt with Parsons' *oeuvre* at an early stage: he was one of the original reviewers of *The Structure of Social Action* for the Harvard Committee on Research in the Social Sciences (see Schumpeter 1991b). He thus knew the schema of social action as Parsons formulated it, emphasizing the concepts of ends, means, norms, conditions, and effort, as the outcome of his convergence analysis. Schumpeter was also to address broad issues of the institutional makeup of modern societies in later works, such as *Capitalism, Socialism and Democracy*. He clearly perceived the tension between Parsons' basic concepts and the conceptual frameworks of the economics of that time. It seems likely that he proposed the seminar in order to probe Parsons' understanding that the rationality, including that of buyers and sellers of economic goods and services, is not inherent to social actors, but derives from specific complexes of values and norms.

In *The Structure of Social Action*, Parsons had in two incisive chapters summarized the central emphasis of Weber's comparative studies of religious ethics on the different "directions" that rationality takes in different civilizations—for example, Confucian China, Hindu India, classical antiquity, and the modern West (Parsons1937, Chaps. XIV and XV). In another chapter, he had underscored Emile Durkheim's emphasis in *The Division of Labor in Society* on the law of contract as essential to the stabilization of market exchanges within which actors can make

[1]For a comprehensive overview on the personal and intellectual relationship between Schumpeter and Parsons and their collaboration on the rationality seminar, respectively, see Swedberg (2006, 2015).

rational transactions (Parsons 1937, Chap. VIII). In other sections of the volume, he noted Pareto's analysis of the various social conditions needed to support logical action and Marshall's emphasis on how the wants of actors are adjusted to social activities. Thus, his convergence analysis placed the matter of rational social action in a theoretically contested status quite different from most economic theory.

Rationality as a Key Concept in the Social Sciences

Rationality was in 1939 and remains today one of the fundamental theoretical and empirical issues in all of the social sciences. Since the early attempts to approach human action in modern scientific terms, the question of rationality has stood at the center of conceptual frameworks and methodological premises. In the words of Alfred Schütz, in his essay included in this volume, "The term 'rationality,' or at least the concept it envisages, has, within the framework of social science, the specific role of a 'key concept'."

The consensus that rationality is of key importance for the social sciences, however, is complemented by sharp disagreement on its actual meaning. The disagreement encompasses the part of rationality in conceptualizing the motivation of action, in theories of the basic components of processes of action, and in establishing the essential instruments of social scientific inquiry, as in Joseph A. Schumpeter's emphasis, in his essay in this volume, on the rationality of the observer. All three of these problem areas associated with the whole "problem of rationality" have received different solutions in different schools of thought, triggering disputes that have accompanied the development of the social sciences from early beginnings up to today. Moreover, the disputes remain unresolved.

The turn from the nineteenth to the twentieth century saw the emergence of classic attempts at unifying socio-economic knowledge into coherent disciplinary perspectives and general theories. The resulting definitions of basic concepts and methodological ideas, with important variations, now comprise the canon of social scientific theories. Although the canonical bodies of work—in sociology, Max Weber's, Emile Durkheim's, and Georg Simmel's, for example—were largely coherent within themselves, the divergences among them on fundamental choice points in theory construction established the basis for the multi-paradigmatic situation we find today. In each of the classic formulations, the concept of rationality played a key part, but in different forms, different meanings, and different theoretical statuses in the analysis of economy and society.

A number of scholars in the next generation, that following the foundational period of modern social scientific thought, attempted to resolve the conceptual divergences and obvious contradictions in their—and our—theoretical inheritance. The works included in the first section of this volume were written in that spirit and represent milestones in that endeavor. We believe that essays in the second section also address the same undertaking of conceptual resolution, although it will be apparent that, together, they also show the continuing multi-paradigmatic character of the contemporary social sciences, especially in sociology.

The Joint Faculty Seminar on Rationality in the Social Sciences

An important event in the cooperation between the two colleagues, Schumpeter and Parsons, was the joint seminar. The initiative for it obviously came from Schumpeter.[2] The idea of the "Seminar on Rationality in the Social Sciences" was first of all to have a forum for discussion with advanced students to enable them to develop their own views on the issues, according to their respective areas of expertise. Schumpeter's talk was on rationality as it figures in economic theory. Parsons' talk, though quite compact, addressed rationality in social action more generally. In addition, the plan was to invite presentations from some other prominent social scientists. In the eventuality, the most important of them was Alfred Schütz, the follower of Edmund Husserl and the founder of phenomenological sociology.

As noted above, the papers, discussion materials, and letters presented in the first and third sections of this volume are from *The Talcott ParsonsPapers* at the Harvard University Archives. The contribution of Schütz is reproduced here in its finally published version (Schütz 1964). Some of the papers were not intended by their authors to be published in the form presented at the rationality seminar (especially the discussion protocols), but we include them here to provide a fuller understanding of the seminar discussions.

Let's start with an overview of the events of the seminar insofar as they can be reconstructed from the archival materials. The available documents confirm ten sessions during the academic year 1939/1940, as outlined in the following timetable:

Friday October 27 and Monday November 13: Joseph A. Schumpeter
Monday November 27 and Monday December 11: Talcott Parsons[3]
Monday February 12 and Monday February 19: Discussion protocol by Donald V. McGranahan
Thursday March 7: Wilbert E. Moore
(Exact date not known): Rainer Schickele
Saturday April 13: Alfred Schütz
Thursday April 25: Robert Waelder

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[2] According to Richard Swedberg, it was a paper on rationality by Chester I. Barnard that triggered Schumpeter's decision (see Swedberg 2006, 72), although we believe that his recognition of Parson's critique of utilitarian economic theory in *The Structure of Social Action* was an important background factor. Barnard was president of the New Jersey Bell Telephone Company and also an intellectual who exchanged ideas with economists and Parsons himself at Harvard. His *The Functions of the Executive* (Cambridge: Harvard University Press, 1938) long remained an influential work. Parsons taught it in some of his classes as late as the mid-1970s.

[3] According to notes by Rainer Schickele.

Notes on the Presenters and Other Participants

Besides Joseph A. Schumpeter, Talcott Parsons, and Alfred Schütz, there were presentations by Harvard students from different departments:

Donald V. McGranahan (1917–2001) studied experimental psychology at Harvard. He was later the founder and director (1967–1977) of the United Nations Research Institute for Social Development. His most important book was *Measurement and Analysis of Socio-Economic Development.*

Wilbert E. Moore (1914–1987) was a PhD student of Talcott Parsons who became well known as coauthor of a premature formulation of a functional theory of social stratification and for early analyses of sociological aspects of economic modernization. He became professor at Princeton University and later the University of Denver. He became sufficiently prominent to be elected President of the American Sociological Association.

Rainer Schickele (1905–1989) became a noted agricultural economist. His most famous work is *Agrarian Revolution and Economic Progress.* He worked for the United Nations Food and Agriculture Organization and later joined the faculty of Institute for Regional Studies at North Dakota State University. The Rainer Schickele Papers are collected at the University Archives of North Dakota State University. Schickele was also the father of the well-known composer, musician, and humorist, Peter Schickele, also known as P.D.Q. Bach.

Robert Waelder (1900–1967), not a student, was an Austrian psychoanalyst and member of the Vienna Psychoanalytic Society who had trained under Anna Freud. In 1938, he immigrated to the United States. He taught for many years at the Boston Psychoanalytic Institute, where Parsons later became his colleague. From 1963, he was Professor of Psychiatry at Jefferson Medical College in Philadelphia and a prominent member of psychoanalytic circles in that city.

There were several other participants whom Schumpeter and Parsons later invited to contribute to a publication that they planned to develop on the basis of the seminar:

John T. Dunlop (1914–2003) was a labor economist and Harvard economics professor (1938–1984) who later served, among other positions, as the US Secretary of Labor. His most important book is entitled *Industrial Relations Systems.*

Gottfried Haberler (1900–1995) was an Austrian-American economist who emigrated to the United States in 1936 and became Professor of Economics and a close colleague of Schumpeter at Harvard. He is best known for his books, *Theory of International Trade* and *Prosperity and Depression.*

Paul Sweezy (1910–2004) was, at the time of the seminar, teaching assistant to Schumpeter. He later became famous for integrating marginal utility analysis into socialist economics. He was also the founder of the socialist publication *Monthly Review.*

Other confirmed participants include:

Abram Bergson (1914–2003) brought expertise in welfare economics to the seminar and later became perhaps the leading American scholar of the Soviet

economy. He also served for a time as Director of the Russian Research Center at Harvard.

Wassily Leontief, (1905–1999) had joined the Harvard Department of Economics in 1932 after having earned his doctorate in Germany under Werner Sombart with a dissertation on *The Economy as Circular Flow*. From 1946, he served as Professor of Economics at Harvard and became famous for developing the theory of input–output analysis among sectors of the economy, a model that was later to influence Parsons' analysis of the dynamic relations between pairs of subsystems of society. Leontief was awarded the Nobel Memorial Prize in Economics in 1973. Several of his students have also been awarded the Nobel Memorial Prize in Economics.

We believe the "Jones" mentioned as a participant by McGranahan was likely Howard Mumford Jones, a prolific scholar of American culture and a person of wide-ranging interdisciplinary interests who was Professor of English at Harvard. Jones served as President of the American Academy of Arts and Sciences from 1944 to 1951. In 1965, his book *Strange New World* about early American culture won the Pulitzer Prize for General Nonfiction. It remains the best known of his many published books. Jones was also notable for teaching popular undergraduate courses and for the large number of later prominent scholars who studied under his supervision for doctoral degrees in English and Comparative Literature.

The "Friedrich" mentioned in a letter of Schickele to Talcott Parsons, February 8, 1963, was almost certainly Carl Joachim Friedrich, 1901–1984, who was Professor of Government at Harvard, some years senior in status to Parsons. Born into a wealthy industrialist family in Germany, Friedrich had studied both in the United States and under Alfred Weber at Heidelberg, where he received his degree in 1925. He then became an advisor to the German Academic Exchange Service, for which he assigned Parsons to Heidelberg University for the fellowship year of 1925–1926. Through that connection, fateful for Parsons' career, the two became close personal friends at Harvard. Friedrich was a wide-ranging scholar of politics and political philosophy, but is perhaps best known for his text, *Constitutional Government and Democracy*, and for *Totalitarian Dictatorship and Autocracy*, coauthored with his protégé Zbigniew Brzezinsky, later US National Security Advisor from 1977 to 1981.

Participants we have not been able to identify include "Trotter" mentioned by McGranahan, and "Pettie" and "Gordon," both of whom were mentioned in the discussion protocol.

Seminar Presentations and Discussions

The concept of the seminar was not for the presenters to advocate for complete, finished, and exclusive conceptions of the role of rationality in social scientific thought, but to convey to others open perspectives or lines of inquiry on a topic that all agreed to be fundamental. The goal for the speakers was to articulate distinctive

theses and ways of clarifying basic concepts, often by extension of previous works, as grounds for open discussion in a workshop setting.

Joseph A. Schumpeter

The seminar started with Schumpeter as the first presenter. His thoughts on "Rationality in Economics" were presented and then discussed in two sessions, the second evidenced by a discussion protocol written by an unidentified author. Schumpeter's paper for presentation carries the title "The Meaning of Rationality in the Social Sciences." Immediately below the title, Schumpeter noted in parentheses: "Still only a sketch." The paper advances essentially three theses, which rest on conceptual distinctions by which Schumpeter sought to resolve the semantic complexity implicit in the concept of rationality.

The first thesis relates to what he calls the *observer's rationality*. Scientific observation of empirical facts is characteristic of *the logic of observation* in the sciences generally and therefore does not differ by various object domains. Succinctly formulated in the paper: ". . .rationality in the social sciences does not differ from scientific rationality in general." Schumpeter then tries to identify the most important components of the logic of observation. Referring to Kirchhoff's definition of mechanics, he takes up the concept of an "economy of description," including especially the rules of logic and prediction, as discussed in the early twentieth century based on implications of the theory of evolution.

Following a perspective similar to the sociology of knowledge, Schumpeter was fully aware that a prevalence of scientific rationality in the social sciences and humanities emerges only in social and cultural settings with a general affinity to rationality. Quite in line with arguments advanced in the sociology of knowledge, Schumpeter notes that components of values are inherent to rational observation. Therefore, rational procedures cannot be said to have pure or isolated absolute validity. The "assigned degree of accuracy" in a social science discipline is ultimately a matter of evaluation. Judgments about rationality are bound to the state of knowledge of the observer. However, these value dependencies do not, according to Schumpeter, collide with the famous postulate of value freedom for scientific inquiry as advocated by Max Weber. The postulate simply determines empirical judgments to be illegitimate if they are based on what is believed to be desirable in the object under investigation. Here, again, there is no difference in logic between the natural and the social sciences.

Finally, Schumpeter raises the question of whether a rational method produces propositions that can be relied upon as true. For him, rationality of method is a necessary, but not a sufficient condition for truth. Rationality and truth are mutually related, but they are not semantically congruent.

The issue of a rational scientific approach to the object world is quite independent of questions that the social sciences may raise of the rationality of objects under investigation, whether social actors or processes of action. On the basis of this proposition, Schumpeter formulates his second thesis: rationality of the observer is in most cases sufficient, and thus economic and sociological research hold the same status as the natural sciences. As an illustration of this thesis, Schumpeter considers

the analyses of time series. They allow for the discovery of regularities and analysis of relations among variables, and thereby the identification of social mechanisms. Time series analyses lead to essential economic and sociological insights without the necessity of presupposing the rationality of action itself. Even if further analysis may determine that individuals or groups have acted rationally, or irrationally, the rationality of an analysis is not altered. The analysis is therefore independent of the rationality or lack of it on the part of actors; it rests on a logic of its own. Schumpeter summarizes his second thesis with the statement: "Wherever we have entities that can be quantitatively expressed and display regular relations to other such entities, we can get some 'laws' out of them in much the same way in which the physicist does and, again, the epistemological problems that may arise, do not seem to differ from those inherent in scientific procedure in general."

Although the first two theses clearly distinguish rationality of the observer from questions of the rationality of the observed action, hence assume the scientific self-sufficiency of the rational observer, it would be a mistake completely to ignore the rationality of actors as some epistemological positions postulate. This would involve giving up "the most powerful methodological tool" that is *not* at the disposal of the natural sciences.

Schumpeter demonstrates this point with the example of marginal revenue and marginal cost curves. The point of intersection of the two curves marks the instantaneous maximum of profit. It obviously models, first, the observer's rationality and in that respect does not differ from models of the physicist. The model does not say anything about the real decision-making of business owners or managers because they would not act according to the model in their own subjectivity and consciousness. But, and here there is a difference from models in physics, the relationship of an actor's behavior to economic laws is based on a subjective aim or norm, the meaning of which must be "understood." Thus, marginal revenue curves imply assumptions about the meaningful rationality in a person's orientation, and the usefulness of the model depends on the accuracy of these assumptions. The analysis of social action is bound as much to the "logic of an end" as it is to the "logic of a cause."

Schumpeter notes that the model is not based on something simply existing, but on something for which he uses the German term, *Geltung*. The term means a norm that is a valid rule of conduct, one that must be obeyed in the sense of a legitimate expectation or an institutionalized pattern. The implication is that the end or purpose that an actor pursues has to be *understood* by the social scientist, as is also the case in our orientations to one another's conduct in everyday life.

The reference to meaning, norms, and ends further complicates the determination of whether an act can be regarded as rational. Since there can be an "infinite variety of cognate ends" (e.g., an immediate profit versus a series of profits over periods of time), what might appear rational in one case might appear irrational in another. A further complication stems from the fact that there may be a multiplicity of simultaneous ends. Schumpeter gives the examples of class interests versus individual interests and interests of business corporations as wholes versus the interests of their executives, to which one might add also the interests of their

workers and investors. Another challenge to the theory of rational action is the difference between rational behavior and irrational results. The rational behavior of an individual may result in collective chaos or, we may add, vice versa. Judgments about actions in distant times or locations present further challenges of understanding. Such judgment requires empathy with and understanding of a "Sinnzusammenhang"—a complex of meaning—that may seem very foreign to the culture of the analyst, yet needs to be addressed.

To summarize, Schumpeter draws a clear distinction between *subjective rationality*, or conformity of an actor's mental processes to a rational scheme, and *objective rationality* or the applicability of a rational scheme to the behavior of an actor. Schumpeter regarded subjective rationality as generally overrated and the two forms as often mistakenly confused. Keeping the distinction in mind may help us understand why empirical data deviate from rational models. Yet, knowledge of subjective rationality may facilitate better understanding and more accurate predictions. But even here subjective rationality and rationality of the observer lay on different planes that require further conceptual distinctions. Using German terms, Schumpeter contrasted "real reason" (Realgrund), describing the rational motives of actors, with "epistemic reason" (Erkenntnisgrund).

Schumpeter's evaluation of subjectivity was contradicted in seminar discussions, motivating him to change his terminology in a footnote of his paper. Instead of "subjective rationality," he used the term, "personal rationality." He noted that conscious awareness is not a necessary criterion of personal rationality, as habituation may result in continuation of a rational pattern without conscious reflection.

In his concluding section, Schumpeter addressed philosophical movements in the history of economics, although he saw their influence on actual economic models as quite limited. He started with the Physiocrats, whose major achievement, he argued, was to develop a conception of the economy "as a self-contained process reproducing itself in circular flows." With respect to rational action, however, they failed to distinguish what is from what ought to be and thus advocated an extra-scientific "idea of an ideal state of things" with effects on later movements, such as socialism. Their quasi-religious conception of a natural order implied "the useful truth that the economic process is a cosmos and not a chaos." It later led to a rationalistic philosophy with consequences for an economics based on the rationality of the observer, but which refrained from assuming a subjective rationality of economic actors.

English utilitarianism was then discussed as another example of a rationalistic system of thought. It, too, conceived of an ideal state, but also placed unlimited faith in the rationality of human individuals: in Schumpeter's words, "Thomistic rationalism has descended from the clouds, but only to reign supreme in the sphere of social action." For Bentham, the "greatest happiness for the greatest number" was the ultimate end. But, Schumpeter objects, "happiness of the greatest number" cannot be a real force in the way that the pursuit of happiness by an individual may possibly be. By failing to differentiate between objective and subjective rationality, utilitarians arbitrarily connected hedonism with rationalism.

By contrast to both physiocrats and utilitarians, Marx was not rationalistic. In the wake of Hegel, he relied on rationalism, but did so in an exterior way. His theory of social evolution propelled by class struggles included facets that enhanced the perspective of rationality of the observer. One facet was his conception of ideologies as rationalizations resulting from value judgments that hide underlying realities. Schumpeter regarded this idea as a great achievement, which might yet turn against the creator of the theory: "Such fire is dangerous to kindle… that burns more things than Marx had intended.... and class struggles…are after all nothing but another ideology."

Schumpeter closed by discussing the classics of economic theory at the turn of the twentieth century. Older theories had treated rational action not only as modeling action in general but also as providing a general solution for economic and social problems. By contrast, the newer theories had perceived more and more restrictions on rational action. Doubts had arisen that businesses acting in accord with rational patterns were necessarily more successful, and, even more certainly, that this was so for "the *social* results of rational business action." The task of generalizing the rational action model was replaced by a need to elaborate its specific instances or settings of its application. In this vein, Pareto suggested that *homo economicus* is only one of many "*homines*." Schumpeter's comment was that "by the absence of any rationale rule of combination," such a multiplication of models only shows "that life is ontologically irrational, at least as much as nature."

The discussion protocol for the two sessions on Schumpeter's paper begins by summarizing the conceptual distinctions he had developed. It then notes the objections to and further thoughts on Schumpeter's concepts as expressed by the participants. The discussion centered especially around the rationality of the observer and empirically observable deviations from rational action. Specific points were also placed in the context Schumpeter had provided of such historically important figures as Bentham, Marx, and Pareto as well as more general methodological and philosophical traditions.

Talcott Parsons

The second presenter to the seminar was Talcott Parsons. His sessions took place on November 27 and December 11, 1939. Notes by Rainer Schickele indicate that on the first of the two meetings the discussions were linked as well to the previous presentation by Schumpeter. The title of Parsons' paper is "An Approach to the Analysis of the Role of Rationality in Social Action," but it is quite short, only seven pages in length, despite the generality of its topic. Its brevity makes its argument somewhat cryptic, and so we will introduce it with a discussion of the conceptual scheme presented in Parsons' *The Structure of Social Action*, published two years earlier, which is presumed as a basis of his paper.

We surmise that Schumpeter's views of *The Structure of Social Action* and desire to come to terms with its critical perspective on economic theory was not only a reason for convening the seminar but also a reason that Parsons' presentation remained within the conceptual framework of his published book. That point is notable, because we now know, as referenced in the essay by Professor Endress in

the second section of this volume, that the first major reformulation of Parsons' own theory, presented in the monograph, *Actor, Situation and Normative Pattern* (see: Lidz and Staubmann eds. 2010), was already well advanced, if not completed. On other occasions throughout his career, Parsons used his teaching, informal or formal discussions with colleagues, lectures at professional meetings, and guest presentations at other universities to try out his most recent ideas and to solicit feedback on them. That he held his most current thinking back from the seminar was an uncharacteristic course of action on his part, and it may also have been a factor in his apparent reluctance later to publish collected papers from the seminar.

At any rate, the starting point of Parsons' paper was the voluntaristic theory of action, as he had labeled the early systematic formulation of his frame of reference or basic conceptual scheme. The voluntaristic theory was based on the premise, confirmed in the first paragraph of his paper, that processes of action always involve choices between different possible courses of action—a premise that, contrary to some secondary accounts, remained a consistent element of Parsons' theorizing down to the end of his long career. The element of voluntaristic choice that, Parsons emphasized, enters all processes of action means that his theory "is . . .incompatible with purely mechanistic metaphysics." Rather, action involves, in every instance, elements of ends or goals, means to be used in attaining goals, norms (or rules, generally legitimated by underlying values) that regulate the permissible ends and uses of means, the given conditions of a social situation, such as, time, place, physical surroundings, and given social others, and, in some of Parsons' formulations, effort that must be expended to pursue specific ends. Following Durkheim especially, Parsons argued that the nature of normative regulation of action carries with it the implication that voluntarism is intrinsic to action, because there is always the choice between adhering to a rule and violating it. Similarly, the end of a course of action is always chosen over some potential alternatives, and it is a limiting case in which a selected goal or end can be pursued only through predetermined rather than chosen means. Parsons' voluntarism was thus thorough-going and contrasted radically with the behaviorism in both psychology and sociology that, at the time he wrote *The Structure of Social Action*, was a common, if not predominant, perspective, with its ambitions, however unrealized, to develop mechanistic explanations of human conduct.

In emphasizing voluntarism, Parsons eschewed the ideal of attaining a certain degree of predictability in the analysis of social action and its consequences. He accepted Weber's proposition that processes of social action are most predictable when actors conduct themselves rationally (Parsons 1981). Weber gave the familiar example of Gresham's law, the economic principle that a weaker currency drives a stronger currency out of circulation, because actors, being rational in their expenditures, will make purchases with the weaker currency while saving the currency that better retains its value. Generalizing the point, we can see that rationality on the part of a social actor is most readily understood by the social scientist who commands the ability to weigh considerations of rationality and logical consistency. Rationality thus enters the domain of empirical knowledge in a sort of privileged manner as compared with other standards of action.

Economic theory in the utilitarian tradition, from Adam Smith's emphasis on the rationality of the free market to the more refined marginal utility theories of Alfred Marshall and his Austrian contemporaries, Carl Menger and Eugen von Boehm-Bawerk, emphasized both voluntarism and rationalism. For them, economic action in its pure form involved choices that balance costs and utilities, the value of what must be given up in an exchange or other form of action relative to the value of what may be gained. In Parsons' terms, these utilitarian theories used only ends, the things of value to be gained, and means, the things of value to be given up or used up to obtain the ends. The economists adhered to a voluntarism in perceiving economic actors as making free choices, and Parsons acknowledged, as we have noted, that his own voluntarism derived from the tradition of economic utilitarianism. However, the economists viewed actors as intrinsically acting rationally, due to the powerful inclination always to enter exchanges or plan other conduct in order to gain things of greater value than the things given up in the course of their action. By contrast, Parsons argued that rational action is based on specific norms, and their underlying values, that establish expectations for actors in certain situations that they should conduct themselves in a rational manner. The rationality is thus not intrinsic, but normatively established, and in his paper Parsons emphasizes that the normative regulation of social action, including rational action, is often complex, involving multiple levels of ontological principles, values, and regulations. Thus, rationality predominates over other modalities of utilizing means to pursue ends only where social institutions impose highly structured norms of rationality.

Moreover, the rationality in social life includes a number of different modalities: not only economic rationality, which is based largely on calculations of costs, but also scientific rationality, resting largely on standards of empirical proof and logical consistency, as in Schumpeter's rationality of the observer, and technological rationality, with its focus on developing or selecting means from a stock of possible, but often difficult to use, means to pursue complex ends most effectively, to name only some key types.

Parsons also followed Weber in emphasizing that in many social situations norms impose not rationality, but expectations of traditionally "correct" conduct or of affectively or emotionally satisfying behavior, as in love relationships. In his paper, he notes that traditional norms close off the scope of consideration of ends and means to impose certain established ends-means relations, thereby precluding actors from conducting themselves in a rational manner. In later writing, Parsons argued that the pursuit of some types of rational conduct involves adhering to very stringent standards of affective motivation, as in the discipline expected of the surgeon in complex surgeries, the military officer commanding troops in the heat of battle with the lives of many soldiers at risk, or the investment banker making decisions during a collapse of a stock market. In situations such as these, rationalities of different types are normatively expected, but may be very difficult to maintain. We should also note that it is by understanding of the norms and institutions that are operative in these different settings that the social scientist can "predict" how actors will likely conduct themselves and what difficulties they are likely to experience in carrying out their conduct.

In sum, Parsons treats rationality as a special "mode of integration" of a number of elements of action, ends or goals, means, norms and their legitimating patterns of evaluation, conditions, and effort or affective dispositions or motivations. The integration of elements takes place on the individual level within given situations of action, but also involves the patterning of values, norms, and various conditions at the level of an action system as a whole, even the level of an entire civilization. Thus, in *The Structure of Social Action*, Parsons discusses at length Weber's analysis of the different "directions" of rationality, and hence the rationalization of institutional structures, in the great civilizations of the world, especially China and India as contrasted with the modern West. In his paper, he only mentions in passing that in traditional Chinese civilization the underlying premises of the value system were so different that "rationality" in economic activities took on very different forms from enterprise in the modern West. These materials provide additional depth to his main analysis in the essay of the complex respects in which rationality, especially the economic rationality that is the core reference of most of the other seminar papers, is not an intrinsic quality of actors or the action process, but a complexly shaped matter involving normative orientation. To act rationally always involves voluntaristic conformity to normative standards of rationality, standards that should be seen as relative not only to specific categories of social situation—economic, political, scientific, technological, and so forth—but also as relative to, and varying profoundly with, characteristics of the encompassing civilization.

Parsons' paper stresses emphatically the importance of rationality as a type of action and as a form of action essential to the institutional organization of entire societies or civilizations, but at the same time he also emphasizes its limitations. Rationality as a type of action is limited in the sense that it must be probed to understand both the complexity of its composition or makeup and its variation across different kinds of social settings. Moreover, we must understand that as a type of action the rational stands off against a number of other types, including the irrational, in which humans act in deviance from or in violation of normative patters of rationality, the traditional, the affective, and the non-rational, in the sense that standards of rationality do not apply to them, as in religious, philosophical, or, more broadly, existential conduct or action.

Similarly to Schumpeter, and in general accord with his discussion, Parsons devotes the last section of his paper to assessing Pareto's treatment of a comprehensive social system of rational action. He focuses especially on the famous conceptual distinction between "ophelimity *for* a collectivity" and the maximum of utility. The former is the situation in which the limit of benefits is attained for each member of the collectivity past which an increase in the utility of any one member could be achieved only by a reduction in the utility allocated to another member or other members. But in real social life, some members of society receive benefits at the cost of other members, and so there must be norms of justice that stabilize such conditions of unequal outcomes or, more generally, social inequality. The maximum of utilities is quite different from the standard of ophelimity, thus showing that the rational maximizing of utilities, when viewed across a society,

depends on a complex normative order through which economic activity is embedded in a much more comprehensive social system. Parsons' brief discussion of Pareto's analysis thus leads to the conclusion that not only is rationality just one mode of integration of action systems, but rationality, even the pure case of economic rationality, depends on a broader normative or institutional structure. Thus, Parsons concludes, as Schumpeter did, with a warning against misplaced generalizations of models of rational action. In particular, the use of rationality to understand fields such as religion or art "results in severe distortion of the facts and gross misinterpretations."

Donald V. McGranahan

The meetings of the rationality group continued on February 12 and 19, for which Donald V. McGranahan wrote a protocol. It starts with a brief summary of a presentation delivered at the last rationality group meeting, which had again addressed issues of the definition of rationality. The question had been raised whether the criterion of rational action is a matter of thinking or a matter of a judgment of specific acts. The difference between rationality and truth was also emphasized. Further discussion noted that rational conclusions can be drawn from irrational premises and rational behavior may be grounded, as Parsons had emphasized, perhaps following the analysis of Weber's *Protestant Ethic and the Spirit of Capitalism*, in non-rational ultimate ends.

The main part of the protocol focused on "pseudo-rational explanations," such as ideologies with factual distortions of social reality or psychological "rationalizations", a major theme in psychoanalytic thought. These examples raised the question of how the real forces and motives behind such constructs could be explored. Psychoanalysis was mentioned as a suitable methodology as well as long-term observation through which inconsistencies in thought and belief might be revealed. Four conditions were identified for pseudo-explanations: Ignorance, conscious deception, emotional fixation, and rationalization. The question was raised if Pareto's "need for logical explanation" is grounded in a non-rational need for legitimation similar to Thorstein Veblen's "instinct of idle curiosity" or Bronislaw Malinowski's concept of anxiety in the face of danger as a source of religious concepts and practices. Another example discussed in this context was the Marx–Engels thesis that ideologies are essentially false consciousness with the function of legitimating the pursuit of class interests.

Wilbert E. Moore

On March 7, Wilbert E. Moore, a former student of Parsons, presented a paper entitled "The Role of Ideas in the Extension and Limitation of Rationality." The presentation was obviously based on Moore's dissertation (Moore 1940), which carried the subtitle *Study of the Relations between Ideas and Institutions*.

Moore's basic proposition was that, contrary to the understanding that modern history has involved a natural increase in rationality, the status of rational action depends on the ideas of a given society and, within it, specific social situations. "There is no reason to assume that a rational orientation to the empirical world is any more 'natural' or 'basic' than the magical or traditional." One famous point of

reference is Max Weber's thesis that the Protestant ethic was an important source for the development of modern rational economies. For modern society, however, it was not only Protestantism, but also a "climate of opinion" in which philosophical rationalism, as in the ideas of natural law and natural order, became characteristic.

Moore advanced his basic thesis by comparing "primitive" and "advanced" societies. Cultural patterns of rationality clearly differ considerably across societies, with their basic ideas and premises highly significant for norms of rationality in social life. Mode of orientation to the empirical world is especially important. However, there have been two contradictory views on the status of rationality in "primitive" societies. One view has held that, due to scarce technological means in the struggle for survival, early cultures were a kind of prototype of the rational *homo economicus*. In the opposing view, primitive thinking has had a pre-logical, mystical quality and, hence, a characteristic undifferentiated irrationality. Moore rejected both views as empirically not tenable. He cited studies by Bronislaw Malinowski and Raymond Firth as showing that the simplest societies have both non-economical elements such as religious rituals, but also rational practical technologies. Thus, he recounted Malinowski's observation that the Trobriand Islanders, on the one hand, had rational techniques for making their dugout canoes and, on the other hand, employed a variety of magical practices to improve results when they fished from their canoes.

Rainer Schickele

Rainer Schickele's presentation, "The Rational Means-End Schema as a Tool for Empirical Analysis of Social Action", began by arguing for the necessity of a clear definition of rationality. Because concepts, such as, rationality, are understood to be epistemic tools, they should be defined with clarity and in ways that relate to their purposes. In economics and sociology, the concept of rationality serves the analysis of action choices guided by reasoning. Such reasoning implies conscious reflection on facts to guide choices among potential means for attaining given ends. For adequate judgment of the rationality of action, the observer and the actor under study need to have reference to the same factual knowledge. A further criterion concerns the possibility of verification, which means that the ends of rational action must be real, not ultimate or transcendent ends.

The outline of the following arguments is closely oriented to Parsons' action frame of reference. Schickele treats the basic components of the unit act as actors, ends, means, and conditions, but, notably, not including norms as independent elements. Thus, he assimilates non-rational factors, such as tradition, ideologies, and, so forth, to the category of conditions. He then applies this theoretical frame to the analysis of capitalistic enterprise, including both individual actors and industry with collective actors. His examples lead him to his main conclusion, namely, that restricting analysis to the rational means-end schema is not sufficient. An account of norms and values as well as institutional and ideological conditions is indispensable for the analysis of rational action.

In the archives, there are two text-identical versions of the paper, one obviously prepared for the seminar presentation and the other for publication. At a much later stage, on February 8, 1963, Schickele sent a letter to Talcott Parsons with an inquiry about the Free Press as possible publisher for his book *Agricultural Policy*. The letter makes a reference to the rationality seminar: "I might mention also that the approach of this book is very much along the lines of a socio-political economy of agriculture and has in many parts been directly inspired by my association with you during 1939–1940 in Harvard. I was fortunate enough at that time to be one of the small group including you, Schumpeter, von Haberler, and Friedrich, who discussed the concept of rationality as a principle of motivating people in various fields of activity. More specifically, I have adapted your original conception of a means-end schema to the analysis and evaluation of national agricultural policies." Parsons replied on April 16, 1963: "I indeed remember knowing you many years ago in the connection which you mention toward the end of your letter. In particular I remember the discussions with Schumpeter on the problem of rationality. I only regret that more did not come out of this."

In the months after the seminar, Schickele had sent his paper for comments to several colleagues. He received a lengthy reply from Clarence Edwin Ayres, a prominent exponent of institutional economics, who had been a teacher of Talcott Parsons at Amherst College.

Alfred Schütz

In January 1940, Talcott Parsons sent two letters to Alfred Schütz (see Part 3 of this volume) inviting him to participate in one of the two scheduled February sessions of the rationality seminar. It was Gottfried Haberler who had told Parsons about Schütz (see Eberle et al. 2010, p. 201). Schütz had studied the works of Edmund Husserl intensively and had undertaken to develop a phenomenology of social life based largely on Husserl's work, but also on the sociology of Max Weber, to which he had given serious study even before turning to Husserl. In 1932, he had published in Vienna *Der sinnhafte Aufbau der sozialen Welt* (Schütz 1960), a major and highly innovative work, translated to English only in 1967, as *The Phenomenology of the Social World* (Schüütz 1967). Although little known in the United States in 1940, he was in fact a major scholar and one who might properly feel that he and Parsons shared interests. Schütz had in fact been familiar with Parsons' *The Structure of Social Action* and became convinced that there was a close intellectual affinity between his own work and that of Parsons. Presumably, he had noticed his own volume cited in Parsons' book as a secondary work on Weber's methodology. As Eberle, Dreher, and Sebald write, Schütz regarded Parsons as his alter ego in the American scholarly world, viewing him as a Weberian and, through misperception, as "a sociologist of phenomenological persuasion."

The personal encounter between Schütz and Parsons, as well as later exchanges, quickly turned up deep differences in their respective understandings of theories of action, both in substantive and in methodological aspects. The exchanges between Parsons and Schütz have previously been well documented in the English volume edited by Richard Grathoff (1978) and a German version edited by Walter

M. Sprondel (1977). Helmut R. Wagner's intellectual biography of Schütz devotes several pages to the failed intellectual relationship between Parsons and Schütz, but only several lines to the latter's participation in the rationality seminar, even though his paper, when published, became a landmark contribution to the developing school of phenomenological sociology.

Although he did not yet acknowledge it, the depth of Schütz's differences with Parsons is quite apparent in his presentation to the rationality seminar, which finally took place on Saturday, April 13, 1940. His point of departure was the shared conviction that rationality and rational action belong to the core issues of a methodology and epistemology of the social sciences. However, Schütz emphasized the ambiguities of the meaning of rationality. He sought in particular to distinguish it from the practical reasoning that takes place in the naïve engagement of the actor with the everyday realities, including the social realities, of routine life. He sharply isolates such practical reasoning of an "actor within the world" from "the scientific observer of it." His essay explores the complex set of consequences that this distinction implies for the conceptual schemata of the social sciences. Social scientists, he argued, frequently mix up these two levels. There is a radical difference in the subjective construction of the social world between reasoning as conducted in everyday action and the logics of a systematic scientific observer.

Schütz states the crux of his argument by contrasting the commonsensical reasoning of the person who seeks to find his way about a city in the course of his routine activities with a cartographer's methodical construction of knowledge about the same city in the process of mapping it. While the cartographer may start with an aerial map of the city or with geometric studies of angles and distances among various points, the everyday actor starts from a personal center, typically his home, and uses knowledge of selected streets to walk, drive, or take public transportation to specific other places, for example, a store, a workplace, or the home of a friend. He thinks in terms of his personal experience with the route, for example, avoiding streets that may have a great deal of traffic at a given time of day. He uses typifications of individuals or groups he may encounter on the way, for example, a salesperson in a store, a police officer guiding traffic, or a ticket seller at the subway station, each of whom is viewed, and treated, as an instance of a type. He does not try to engage such persons as he would a spouse or other individual in whom he has a romantic interest, nor would he try to form detailed, methodically observed, logically organized knowledge of them, as would a social scientist undertaking research.

Schütz also notes that even the scientist takes recourse to such commonsensical typifications when his professional work is concluded for the day and he turns to everyday relationships with neighbors, shopkeepers, or members of his family. Indeed, he must similarly rely upon commonsensical reasoning to maintain cooperative relationships with his scientific colleagues. Knowledge of cellular biology, for example, provides no guidance in how to collaborate fairly and decently with fellow staff members of a laboratory. In emphasizing the importance of the naïve commonsensical attitude toward everyday life, Schütz radically relativizes the

conception of rationality as he understood Schumpeter's idea of the understanding of the scientific observer as well as Parsons' formulations.

In Schütz's conception, the commonsensical understandings of everyday conduct are reasonable, but cannot be considered deliberate, rational action. They are not subject to logic in a strict sense nor are they based on methodical observation or calculated empirical predictions. They are not the result of disciplined, impersonal knowledge of situations, but are person-centered and based simply on practical encounters of people, places, and events. They consist of customs, habits, rules of thumb, typifications of previously encountered events, and so forth. They result in conduct and practices undertaken without conscious, reflective planning. Insofar as they result in knowledge, it has the form of "cookbook" or "recipe" knowledge, not methodical scientific knowledge.

The everyday world of contemporary society rests on the institutional complexes that Max Weber treated as rationalized, and they appear as such to the social scientist, who has undertaken to study them dispassionately and methodically, at "the level of theoretical observation and interpretation of the social world." Yet, the same world is encountered by the citizen in his rounds of activities as disenchanted, as lacking in sacred or charismatic meaning. It is thus that the citizen's attitude to the social world is one of mundane interests and of involvement in a variety of merely practical functions. Other actors are then viewed as embodiments of types and related to in terms of typifications of the settings and functions through which they are encountered—as shopkeeper, police officer, or ticket seller. The typifications provide the subjective means of anticipating events, including the activities of others. However, such anticipations differ in form and intellectual status from the predictions made by scientists on the basis of methodical empirical knowledge.

The social scientist, in attempting to understand the contemporary social world, must, then, gain access to the schemes of types and typifications with which actors engage their respective everyday worlds. Schütz suggests that the social scientist can accomplish a realistic analysis by creating conceptual "puppets" that react in typical ways to typical situations of various kinds in order to master ordinary social life. Even a rational action in the conceptual frames of classical economics, of the utilitarian principle, or of the marginal calculations of modern economics should be viewed as a puppet in this sense.

It should be noted that, as phenomenologist, Schütz's theoretical interests focused on understanding the subjectivity of individual actors. His mode of abstraction from the data of rational and commonsensical thought and action thus differed from the analytical perspectives of Schumpeter, Parsons, and the others. Yet, his account of practical, commensensical reasoning, as distinct from strict rationality, has come down to our times as a very influential contribution to social science—indeed, as perhaps the most important product of the rationality seminar.

Robert Waelder

The final meeting of the seminar took place on April 25, 1940, with a presentation of Robert Waelder entitled "Psychoanalysis and Rationality in Social Action." The

following passage is a transcript of notes, Rainer Schickele made on Waelder's presentation[4]:

1. Model of Action
2. Rationality: Integration
3. Rationality: Natural world images
4. Significance of problem of rationality

(1) Motivation from conscious to unconscious, defined by accessibility to self-observation.

Three agencies of the mind: id, ego, super-ego.

Id = instinctual drives, urges emanating from biological nature.
Ego = our perception of reality, ability of anticipation of future events. Realization of danger and fear, meeting demands from the outside world as well as from urges inside.
Super-ego = conscience, self-observation, moral conduct.

Id as well as super-ego suggest to ego, and ego acts in compromise.
Ego-syntonic (*ich-gerecht*): actions accepted by ego.

(2) Limitations of rational "choice": a morphinist struggling sincerely against indulgence: the motives are on different levels, and there may be no choice.

Rational choice should apply only to ego-syntonic actions. In ego, various motivations meet (word not readable, Eds.), synthetic function of the ego.

Basic principle of psychoanalysis: undo repressions and reestablish the synthetic function of the ego.

(3) Query of Plato: *Lehrbarkeit der Tugend*.[5] If the veiled contradictions were removed, would all people become alike? Would knowledge remove all sources of conflict? Waelder doubts; it would boil down to which is more powerful: love or aggression? Merchant wishing (word not readable-eds.) on average as his wishes are doubtly fulfilled to his competitors.

Is his action rational or not?

(4) The significance of the rationality problem is a symptom of uncertainty of the Christian value system.

Publication Efforts

Letter Exchange on the Planned Publication

The third part of this volume begins with the letters concerning the seminar and the plan for publication. The letters indicate that Schumpeter was clearly the driving force both behind the seminar itself and then the plan to collect the presented papers

[4]With courtesy of the North Dakota State University Archive.
[5]Teachability of virtue (eds).

as well as additional papers by other seminar participants for a volume under his and Parsons' joint editorship. As of May 15, 1940, the publication plan was for June 15 to be a deadline for the submission of manuscripts by the presenters and September 1 by the non-presenters. A review process by the editors was then to follow in September. By October 9, however, the editors had received only three completed manuscripts, and therefore a new submission deadline was set for December 1. The editors also intended to organize a meeting of the group shortly after Christmas to discuss next steps. On March 2, Schumpeter asked Parsons when he was going to do something about the project. In his reply, Parsons complained that several of those asked to contribute had not responded.

From the letter exchange, it is obvious that the primary reason that the publication plans were not carried out was simply the reluctance of the invited contributors to submit their anticipated papers. In retrospective comments on the cooperation with Schumpeter and the publication plans in particular, Parsons noted in an autobiographical statement that there were other reasons for him to let the project die. As he expressed it: "There was another interesting episode which might, at a relatively late time, have turned me at least farther in the direction of economics. After my formal transfer to sociology, Schumpeter organized a small discussion group with younger people, mostly graduate students, on problems of the nature of rationality. After a few meetings he proposed to me that the group should aim at producing a volume, of which he and I should be at least coeditors, if not coauthors. Though not specifically rejecting the proposal, at least immediately, I remember having reacted rather coolly, and in fact I let it die. I am not wholly clear about my motives, but I think they had to do with the feeling that I needed a relatively complete formal break with economics" (1977, 32–33).

Interesting as this comment is, we might note that Parsons had actually left the Department of Economics nine years before the rationality seminar was initiated in 1939. He had also published *The Structure of Social Action* as a sociologist two years before the seminar. Thus, the explanation that his motivation for allowing publication to fall through was a need to consolidate his separation from economics seems less than compelling. We propose that a more immediate reason may have been that his own theory had evolved past the formulations of *The Structure of Social Action*, which were the formulations considered in his own and other presentations to the seminar. By 1940, he had completed the monograph, *Actor, Situation and Normative Pattern*, which, though he withheld it from publication, he was already using in his teaching. That monograph initiated a sequence of changes in Parsons' theory of social action that would not be consolidated until his major publications of 1951, the long essay "Values, Motives, and Systems of Action," written with Edward A. Shils, in Parsons and Shils, editors, *Toward A General Theory of Action*, and *The Social System*.

Alfred Schütz published a shortened version of his paper under the title "The Problem of Rationality in the Social Sciences" in *Economica*(1943). The paper was later included in the *Collected Papers*, volume II, as "The Problem of Rationality in the Social World," and the original version was posthumously published in *Collected Papers*, volume IV (1996). In the present volume, the version is the one