Chapter 3
Hegel's Critique of Classical Political Economy

3.1 Introduction

This work, in general, aim at answering one central question: how exactly do Schmitt and Hegel try to resolve the problem of reconciling democracy and parliamentarism that afflicts modern states? The biggest challenge in this task is to see how Schmitt and Hegel understood the relation between the state and civil society. For Hegel, civil society is a social sphere of freedom in which individuals can freely pursue their private interest, while the state is a political sphere of freedom in which individuals pursue communal interests in harmony with their private interests (see de Boer 2012a, 36–53). By contrast, Schmitt did not make a clear distinction between civil society and the state, but claimed that the state is a sphere of political freedom in which communal interest is secured by means of a sovereign power's decision, but not the other way round. In so doing, Schmitt fails not only to clearly separate the sphere of civil society from the state, but also to secure a genuine concept of political sovereignty.

In the first two chapters, I discussed Schmitt's critique of liberal political theories as well as his solution. Schmitt argues that in liberal political theories the two elements of democracy, i. e., popular sovereignty and liberal parliamentarism, cannot be reconciled. According to Schmitt, liberal political theories conceive of the state as an immediate unity of mass democracy and legality, that is, as popular sovereignty. For him, Rousseau rightly holds that a consensus of atomistic individuals results in a unanimous will, which defines the principle of democracy. Yet Schmitt argues that the state must be conceived of as possessing its own acting will that mediates between mass democracy and the legality conceived within it. The latter view is the central principle of liberal parliamentarism. Yet Schmitt argues that liberal parliamentarism cannot stand on its own due to the rise of mass democracy, and hence falls into a crisis. Schmitt, thus, concludes that only a radical conception of parliamentarism, in which the communal interest is secured by an individual sovereign power, can resolve the liberal predicament.

Hegel held a similar critique of political liberalism, but also targeted the liberal conception of the market economy. In the *Philosophy of Right*, he argues that the market economy is a system of needs that ultimately results in unintended lawfulness of the market economy, that is, in what is commonly known as the invisible hand. Hegel partly endorses the view of classical political economists such as Adam Smith in his conception of a system of needs, but, contrary to the former,

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claims that the market economy is not a stable social order. In Hegel's view, the market economy must rather be transformed into a sphere in which needs and their satisfactions are secured by the intentional and lawful formation of corporations, which come together due to the similarity of their profession or other similar private interests. Thus, Hegel's critique of liberalism targets the market economy conceived as a sphere that allows private interests to be pursued arbitrarily, and in which legality is its merely unintended result.

In my view, authors such as Richard Dien Winfield, Thomas E. Wartenberg, and Seyla Benhabib wrongly claim that Hegel failed to ground the limits of a system of needs in "a system of social production and reproduction" (see Benhabib 1981, 153; Winfield 1987, 227–260); Wartenberg 1981, 169–182). For these authors, Hegel was right to endorse the views of classical political economy in his conception of a system of needs, but could not provide a philosophical analysis of why some serious problems that he identified within this system occur (Benhabib 1981, 153). For this reason, these authors turn to Marx to find an insight that they think could further develop Hegel's conception of a system of needs. Whereas Winfield thinks that Marx's logic of capital bridges a gap in Hegel's conception of civil society, Benhabib and Wartenberg take a radical path that tries not only to amend a system of needs, but also to rejects Hegel's conception of the state. Benhabib, especially, tries to define a new path that replaces the traditional Marxist account of the relation between Hegel and Marx by a new approach that focus on the unity of method and system.

As I see it, these authors make a hasty conclusion, since they did not take seriously Hegel's insight into the capacity of corporations to resolve the limits of a system of needs. Other authors, including Karin de Boer, rightly consider Hegel's conception of corporations to be a critique of the market economy, in which he provides a philosophical account of why crucial problems arise within a system of needs guided by the pursuit of private interests. Moreover, de Boer argues that corporations should be used by the state as a means to stabilize the market economy (see de Boer 2012a, 8; Pateman 1970). In my view, de Boer's approach sufficiently explains how Hegel's conception of the corporation not only shows the limits of a system of needs, but also points to what sort of solution can resolve the limits of a system of needs. Nonetheless, de Boer takes Hegel's conception of corporations to be elitist, since she thinks that not everyone can be a member of them. She also considers a market economy guided by corporations to be not possible anymore. However, I hold that corporations can be extended to all members of the estates that, in turn, can be transformed into a set of corporations. In this sense, Hegel's conception of the corporation provides adequate conceptual resources to resolve the limits of the market economy conceived as a system of needs.

According to Hegel, corporations resolve the limits of a system of needs, since they transform the pursuit of private interest into the pursuit of universal interest by internalizing the type of legality conceived in the invisible hand theory within a system of needs. Thus, while individuals engage in the pursuit of private interests in the case of a system of needs, in the case of corporations only within a social group, in which the pursuit of private interest is legalized as a universal interest, can the specific private interests be promoted. Contrary to Marxists readings, which take Hegel's conception of the "logic" and class structure in civil society to be superfluous, I see no real problem in this area, but that Hegel did not emphasize the need to transform all three types of the estates into a set of corporations. What Hegel considered to be a big challenge in civil society, that is, the problem of poverty and the rise of the rabble is not the problem of a market economy guided by a set of corporations, but, rather, is only a problem of the market economy conceived as a system of needs.

However, corporations do not suffice to create a stable social order, since they may turn into competition with one another by pursuing their own interests, albeit not at an individual level as in the case of a system of needs. For Hegel, the solution to the limits of corporations must come from the state, which secures both private interests and communal interests at once. This view sets up the stage for the separation of civil society from the state conceived of as a political constitution. Accordingly, the state goes beyond civil society, which is tainted by the pursuit of private interest either by individuals or corporations. As will be discussed in the next chapter, Hegel maintains that the state resolves the problems of a system of needs and corporations, since it is neither a mere sphere of private interest such as a system of needs nor a mere sphere of communal interest such as the corporations, but, rather, secures both aspects of civil society at once.

In this chapter, I will focus on Hegel's critique of the market economy in the chapter of the *Philosophy of Right* that deals with civil society in order to show why Hegel argues that the theory of the invisible hand is inadequate to secure a stable social order and why corporations can avert the ills of capitalism to some extent.

After I briefly elaborate on Adam Smith's liberal theory of political economy (section 2), I will discuss Hegel's critique of classical political economy, which is presented in his analysis of a system of needs (section 3). I will then discuss the views of various scholars, including Benhabib and Wartenberg, on the sociality, 'logic' and class structure of civil society (section 4).[41] Finally, I will discuss Hegel's

41 By the sociality of civil society, I mean what Hegel considers to be the social interdependence of citizens that is required to secure the pursuit of private interest in the market economy.

solution to the limits of a system of needs as elaborated in his conception of corporations, which can also be taken as a response to the views of some scholars on the "logic" and class structure in civil society (section 5).

3.2 Adam Smith's Conception of Political Economy

Classical political economy, represented by Adam Smith, developed in the historico-intellectual context of the Scottish Enlightenment. During this period, England was making a transition from a feudal to a commercial society. Smith's conception of political economy, as elaborated in his most popular work *The Wealth of Nations* (1976), must be seen in this context. As Herzog argues, Smith's interest in scientific inquiry and metaphysical deism are crucial to get a full picture of his conception of political economy (Herzog 2013, 14). Smith considered the cosmos to be created by a benevolent deity in order to further human happiness. Nonetheless, Smith maintained that not all natural tendencies should be reinforced, but, rather, that some should be channelled in a certain way (Hamowy 1987, 13–22).[42] This is obviously expressed in Smith's theory of the invisible hand, which he regarded as a guiding principle of the market economy.[43]

According to Smith, "every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his own way" (Smith 1976, IV.9.51). In Smith's view, the market refers to the system of free exchange of goods and services (Smith 1976, I.VII.12–14). The market economy is a sphere of production and exchange that allows individuals to pursue their own private interest and, thus, to engage in an interdependent system. In the market economy, individuals aim at satisfying their particular needs, even though they end up establishing a market system that increases the wealth of the whole society. The latter aspect of the market economy is famously understood as the 'invisible hand' that steers the market economy. He writes:

Benhabib, for instance, states that "the gist of Hegel's analysis of civil society" is his claim that "the abstract or universal character of needs, and of the way and means of satisfying them, reveals their sociality" (Benhabib 981, 157).

42 Like other Scottish Enlightenment thinkers, Smith argues that good purposes do not necessary need good intentions to be attained, see Hamowy (1987).

43 Herzog claims that Smith argues that since all natural sentiments are not good, those sentiments have to be "channelled and guided by an impartial spectator". A deity in Smith's view is considered to be an impartial spectator (Herzog 2013, 25). In Herzog's view, Smith's moral philosophy, thus, plays a key role in endorsing the free market because he thinks that it is a sphere of freedom in which an impartial spectator endorses its positive results, such as bringing wealth to all members of society.

> The annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchange value. As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor know how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. (Smith 1976, IV II 9)

Thus, as Herzog claims, Smith's account of the invisible hand is no "mystical intervention by a deity, but rather a happy coincidence of private interest and common good" (Herzog 2013, 33). Herzog states that the invisible hand expresses "a wise contrivance of nature" and "an analysis of the causal mechanism that brings it about" (Herzog 2013, 33). The free market creates both a healthful relation between business and a proper proportion between different branches of business. Herzog considers 'annual produce' and 'distribution of wealth' to be two types of invisible hands that can be drawn from Smith's theory of the invisible hand in the market economy. She writes:

> Whereas the first invisible hand deals with investment and production, the second describes the transfer of wealth from the rich to the poor, so that all can profit from the increase in the 'annual produce'. (Herzog 2013, 33)

In a free market, the price mechanism adjusts the quantities of goods on the basis of an entrance and exit in market activity. Smith states:

> All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. […] The sovereign is completely discharged from a duty, in attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. (Smith 1976, IV. IX. 51)

In this regard, individuals only need to make judgements about their own situation, for each individual knows his own situation best (Herzog 2013, 32). Smith's theory of the invisible hand derives from his optimism regarding the market's capacity to maximize the national product and distribute wealth in society (Herzog 2013, 32).

According to Smith, the invisible hand leads to a large annual produce if the use of capital follows the order of productivity from agriculture to manufacturing, and then to trade (Herzog 2013, 33). Smith states that the "most advantageous employment of any capital to the country to which it belongs, is that which maintains there the greatest quantity of productive labour, and increases the most the annual produce of the land and labour of that country" (Smith 1976, IV. VII. III. 35). Smith argues:

> Every individual is continually exerting himself to find out the most advantageous employment or whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society. (Smith 1976, IV II 4)

Smith argues that the division of labour further increases the annual produce in the market economy. The division of labour, Smith states, arises from the natural tendency to truck and barter, rather than from any social mediation. This natural tendency to truck and barter, Smith states, satisfies one's needs, since all participants in the market economy, whether it is a baker or butcher, do what they do for themselves. Thus, the division of labour is "not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion" (Smith 1976, I. II. 1). As he puts it, the division of labour is "the necessary […] consequence of a certain propensity in human nature which has in view no such extensive utility" (Smith 1976, I. II. 1). Smith writes:

> The great increase of the quantity of work, which, in consequence of the division of labour, the same number of people are capable of performing, is owing to three different circumstances; first, to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many. (Smith 1976, I. I. 5)

In sum, the division of labour depends on markets because people who specialize in one branch of industry have to acquire all other goods they need by exchange. Smith states that "the great commerce of every civilized society is that carried on between the inhabitants of the town and those of the country […]. The gain of both is mutual and reciprocal, and the division of labour is in this, as in all other cases, advantageous to all the different persons employed in the various occupations into which it is subdivided" (Smith 1976, III. I. 1).

Smith further argues that exchange relations are governed by a labour theory of value. With the growth of production as a result of the division of labour, work extends itself to the "lowest ranks of the people" (Smith 1976, I. I. 10). However, since production is viewed as technical, the exchange relations are also determined by the labour that went into the production of goods. Smith claims that the value of commodities is "equal to the quantity of labour which it enables him to purchase or command; Labour therefore is the real measure of the exchangeable value of all commodities" (Smith 1976, I. V. 1).

Smith considers capital, which is another crucial feature of the market economy, to be the stock of subsistence goods that is required to let the private producers sustain their lives while they await the sale of their respective products. Smith's account of the market economy conceives of capital as arising from private producers. Smith writes:

> A stock of goods of different kinds, therefore, must be stored up somewhere sufficient to maintain him, and to supply him with the materials and tools of his work till such time, at least, as both these events [the completion and sale of products] can be brought about. (Smith 1976, II. 2)

According to Smith, when specialization of work is the order of day, what one produces through his or her labour is a small part of all one wants. For that reason, individuals are dependent on the products of other's people's labour. It is only through commodity exchange that individuals can satisfy all their wants. However, the exchange of good cannot be made until such time comes, when the product of one's labour is complete and sold.

Consequently, Smith conceives all the necessary feature of the market economy as creating a stable social order. It is undeniable that the market economy shows a mutual interdependence among its participants, albeit unintended one. Thus, the market economy represents a sphere of social freedom, in which everyone can freely pursue his own interests like everyone else.

According to Smith, the invisible hand in the market economy, conceived of as unintended mediating law between various pursuits of private interest, can create a stable social order. The question, however, is whether the market economy can maintain a stable social order without any intentional will that forms associations such as the estates. Hegel claims that only in the formation of estates can the pursuit of private interest be recognized as a universal interest, since in the latter case the type of legality proper to the pursuit of private interests is not external to the very activity of pursuing private interests, but, rather, is a type of legality that is incorporated into the pursuit of private interest. In this case, individuals intentionally engage in the market economy by joining estates as a universal interest of the society as a whole. Seen from the perspective of Hegel, the conception of civil society defended by the classical political economy cannot guarantee a stable social order, since such a theory is tainted by granting the pursuit of private interest a primacy over the form of universality conceived as unintended lawfulness.[44] In order to overcome this problem, Hegel argues that the market economy can maintain a stable social order only if it is transformed into an economy shaped by a set of corporations. Thus, Hegel provides his critique of the classical political economy not by rejecting the invisible hand theory, but by systematically incorporating the basic determinations of a system of needs into his conception of corporations. In the next section, I will discuss Hegel's critical reflection on the theory of classical political economy.

3.3 Hegel's Critical Reflection on the Classical Political Economy

Hegel elaborates his critique of classical political economy in the chapter on civil society of the *Philosophy of Right.* He analyses civil society in three sections: a system of needs, administration of justice, and police and corporations. In this section, I will focus on the first section of civil society, that is, his analysis of a system of needs, to elaborate on Hegel's critique of classical political economy.

For Hegel, a system of needs is a social sphere of freedom, that is, a sphere of market economy, in which individuals pursue their own private interests and actualize their particular ends through an interaction with others who similarly pursue their own private interests. Hegel claims that persons, who, for instance, embody their right in an external object such as in the case of property right are the objects of abstract right (Hegel 1999, para. 191). For Hegel, only individuals who aim at actualizing their own private interest in a reciprocal relation with others are adequate objects of civil society. As Hegel puts it:

> In right, the object is the person; at the level of morality, it is the subject, in the family, the family-member, and in civil society in general, the citizen (in the sense of bourgeois). Here, at the level of needs, it is that concretum of representational thought that we call the human being. (Hegel 1999, para. 191)

Individuals possess an abstract freedom in property right because in this case their freedom is actualized only in an external way (Hegel 1999, para. 41). As Benhabib notes, the externality of property shows that "objects […] are external to the person, […] in virtue of being objectifications, that is, concrete embodiments of human skills, talents and abilities" (Benhabib 1981, 154). For this reason, Benhabib

44 As Hegel states, civil society "affords a spectacle of extravagance and misery as well as the physical and ethical corruption common to both" (Hegel 1999, para. 185).

claims that it is not the possession of external objects that properly actualizes the freedom of individuals, but, rather, the actualization of their private interests in the market economy. Such pursuit of private interests does not preclude others from pursuing their own private interests. In civil society, individuals need to be open to commodity exchange in addition to possessing property, so that whatever private interests they have can be actualized insofar as they are able and willing to engage in commodity exchange.[45]

Broadly stated, the system of needs, Hegel claims, consists of three distinct sub-sections: 'the nature of needs and their satisfaction', the 'nature of work", and finally the estates (Hegel 1999, para. 190 – 208). In this section, I focus on 'the nature of needs and their satisfaction', in which Hegel critically analyses classical political economy.

Hegel considers the 'nature of needs and their satisfaction' to have three basic moments. These are the pursuit of private interests, which constitute the most immediate moment of civil society. The immediate moment becomes more concrete in the mediated moment of needs and their satisfaction, that is, a moment of individuals standing in relation to others, for all individuals have a similar interest of pursuing their own ends. In this respect, each concrete individual "asserts and gains satisfaction through others" (Hegel 1999, para. 182). Thus, universality conceived of as a mutual interdependence mediates between various pursuits of private interests. As Hegel puts it, a "particular person stands essentially in relation to other similar particulars, […] through the exclusive mediation of the form of universality" (Hegel 1999, para. 182).

45 De Boer argues that the difference between abstract right and civil society should be seen from another perspective. For her, the main difference lies in abstract right lacking a network of relations necessary to acquire property, as in the case of civil society. For de Boer, thus, it is not the aspect of acquiring stuff embodied in property that distinguishes property right from civil society, since the former is still present in civil society, but, rather, the fact that abstract right reduces freedom to an abstract entity because it abstracts from the network of relations necessary to actualize property relations. For this reasons, she argues: "the crucial part of the *Philosophy of Right* consists in its account of the various domains constitutive of ethical life. On this reading, Hegel's analysis of the individual will in the Introduction, as well as his analysis of abstract right and morality in the first two parts, are concerned with forms of freedom that each modern society presupposes, but which do not constitute its main principle" (de Boer 2012a, 4). By contrast, Benhabib focuses on the kind of freedom actualized in both property right and civil society and argues that freedom is more concrete in civil society because the freedom of thought expressed in a private interest of individuals is actualized in it. For me, both interpretations do justice to Hegel's analysis of property right and civil society. The difference between these interpretations lies in their emphasis on the nature of freedom actualized in abstract right and civil society as in the case of Benhabib, while de Boer emphasizes the way freedom can be actualized.

Hegel claims that the particular character of the means of satisfaction in civil society is "that they are the property of the free will [of others]" (Hegel 1999, para. 195). Thus, the human being is not just the object of "his own end", but is also in relation to others, who possess the means that satisfy their needs, and are in a similar pursuit of particular ends. As a whole, the actualization of the pursuit of particular interest, which is the third moment, establishes a system of all-round interdependence. Hegel writes:

> The selfish end in its actualization […] establishes a system of all-round interdependence, so that the subsistence and welfare of the individual and his rightful existence are interwoven with, and grounded on, the subsistence, welfare, and rights of all, and have actuality and security only in this context. (Hegel 1999, para. 183)

By dividing 'the nature of needs and their satisfaction' into these three moments, Hegel provides an account of how each aspect of needs and their means of satisfaction gets its own distinct existence. Accordingly, the pursuit of particular interest has "the right to develop and express itself in all directions" (Hegel 1999, para. 184). Similarly, the "exclusive mediation of the form of universality" between the various pursuits of private interest has "the right to prove itself both as the ground and the necessary form of particularity" (Hegel 1999, para.182–184). Hegel writes:

> Since particularity is tied to the condition of universality, the whole [civil society] is the sphere of mediation in which all individual characteristics, all aptitudes, and all accidents of birth and fortune are liberated, and where the waves of all passions surge forth, governed by the reason which shines through them. (Hegel 1999, para. 182 add)

Finally, the moments of the pursuit of particular interest and the universality of freedom embedded in the pursuit of private interest establish the market system as the system of ethical life (Hegel 1999, para. 184).

According to Hegel, classical political economists, drawing from what appears to be a system of needs, conclude that the market economy can stand on its own without any form of mediating will between the pursuit of private interests and their legality conceived as the invisible hand. For the classical political economists, thus, the invisible hand or the unintended lawfulness of a system of needs suffices to establish a stable social order. He states that the pursuit of private interests, at the beginning, that is, in its opposition to the universality of freedom, is subjective need. The pursuit of private interest only becomes objective through the pursuit of external things, such as commodities. Although the end of subjective need is the satisfaction of subjective or private interest, universality asserts itself in the relation between the subjective ends and the needs and free arbitrary will of others.

Thus, according to Hegel, the stable social order that is seen in this whole process of commodity exchange is "the resultant manifestation of rationality […] is the understanding", which is the point of view adopted by the classical political economy (Hegel 1999, para. 189). In his *Encyclopedia Logic*, Hegel explains what he means by the difference between understanding and reason (Hegel 2010, para. 80 – 82). Hegel writes: "Thinking as understanding does not budge beyond the firm determinateness [of what is entertained] and its distinctness over against others. A limited abstraction of this sort counts for it as self-standing and [as having] being" (Hegel 2010, para. 80). By contrast, thinking as reason "grasps the unity of the determinations in their opposition, the affirmative that is contained in their dissolution and their passing over into something else" (Hegel 2010, para. 82).

Hegel, in his analysis of a system of needs, admires classical political economists such as Smith, Say, and Ricardo for extracting "the simple principle of the thing" from the endless multitude of details. This simple principle is the understanding that works within the market economy and that controls it (Hegel 1999, para. 189). Hegel argues that classical political economy considers the market economy to be a sphere of finitude, since it manifests a rationality that is discoverable through scientific investigation. Hegel, however, doubts that the market economy is a natural sphere of freedom that manifests its lawfulness through empirical observation or common sense. Hegel rather states that "political economy […] must go on to explain mass relationships and mass movement in their qualitative and quantitative determinacy and complexity", so that a genuine a rationality of the market economy that grasps the unity of opposition can be achieved (Hegel 1999, para. 189). However, Hegel claims that classical political economy reduces civil society to a sphere of market economy, in which individuals pursue their own private interest, while their pursuit of private interest results in a stability of the social order, although unintended one. Hegel states that these political economists discover only "the necessity at work" in the market economy, that is, the rationality of the understanding, which is their "object" (Hegel 1999, para. 189 add). This is because, like other scientific studies, they give credit to thought or reason only if they can discover the law that underlies "a mass of contingent occurrences" (Hegel 1999, para. 189 add).

Yet, for Hegel, a market economy expresses a concrete freedom if the pursuit of private interests takes the form of a collective pursuit, such as in the workplace, estates and corporations, which can better secure the pursuit of private interest than individuals that do not belong to a group. Thus, for Hegel, the genuine rationality of civil society can be secured only if the pursuit of private interest develops into more concrete forms of a system of needs such as corporations. Hegel, thus, takes a step beyond a system of needs, since he adopted the point of view of reason but not of the understanding that can grasp only the immediate unity of particularity and universality in civil society.

Contrary to classical political economists, Hegel argues that the universality of freedom asserts itself as needs and their means of satisfaction gets multiplied and refined. For this reason, Hegel claims the pursuit of private interest is embedded in the sociality of the market economy. A system of needs, Hegel argues, differentiates human beings from animals in their pursuit of private interests (Hegel 1999, para. 190). Unlike animals, Hegel argues, human beings have an unlimited scope to satisfy their private ends: first, by multiplying needs and means of satisfying them and, second, by dividing and differentiating their concrete need into individual parts and aspects (Hegel 1999, para. 190). The latter then become different needs, particularized and hence more abstract. In the same vein, private wills are also divided and multiplied (Hegel 1999, para. 191). As such, they become "relative ends and abstract needs" (Hegel 1999, para. 191). This process is as much an infinite process of multiplication as a differentiation of these determinations, that is, refinement (Hegel 1999, para. 191).[46] He writes:

> Needs and means, as existing in reality [*als reelles Dasein*], become *a being* [*Sein*] for *others* by whose needs and work their satisfaction is mutually conditioned. That abstraction which becomes a quality of both needs and means [see Hegel 1999, para. 191] also becomes a determination of the mutual relations [*Beziehung*] between individuals. This universality, as the *quality of being recognized*, is the moment which makes isolated and abstract needs, means, and modes of satisfaction into concrete, i. e., social ones. (Hegel 1999, para. 192)

Thus, contrary to classical political economists, Hegel claims that a kind of opposition between particularized abstract needs and their dependence on a sociality to satisfy those needs is a defining feature of a system of needs.

Hegel's account of the sociality of the market economy in the quoted paragraph is a controversial one. Despite the controversy as to how the dynamic tendencies of civil society can be resolved, many authors agree with Hegel's critique of classical political economy, in which he claims that the mutual interdependence of various private pursuits is not a result of an invisible hand that controls it, but, rather, is the result of actual multiplication and refinement of needs and their means of satisfaction. Yet while some authors argue that the increase in needs

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46 For Hegel, as Benhabib clearly states, "Human needs can multiply *ad infinitum*; particularly, in civil society this multiplication of needs appears as the spread of luxury and refinement. The multiplication and proliferation of needs involves their subdivision into more particular, and more abstract components. There is no one object that satisfies a specific need, and a need itself may be further subdivided into more specific needs. In this process, the objects of needs themselves become, in Hegel's terms, 'proximate ends'" (Benhabib 1981, 160).

and their means of satisfaction reveals an opposite determination, that is, their sociality, other authors claim that increase in needs and their means of satisfaction leads to the mutual interdependence of individuals. In the next section, I will further discuss the view of scholars in this issue as well as the "logic" and class structure in civil society.

3.4 Prevailing Views on Hegel's Conception of the Sociality, "Logic" and Class Structure of Civil Society

In this section, I will discuss two issues that are elaborated by scholars regarding Hegel's account of the sociality of the market economy. First, I will analyse two different perspectives that consider Hegel's conception of the sociality of the market economy to be an adequate critique of classical political economy. The first one is Winfield's take on the sociality of the market economy, while the second one is Benhabib's take on it. Second, I will elaborate on Benhbaib's and Wartenberg's Marxist interpretations of the "logic" of civil society and class structure in Hegel's conception of civil society.

As regards the first issue, I will deal with Winfield's and Benhabib's views on Hegel's account of the sociality of the market economy. Yet I discuss them not because they have a final say on the sociality of the market economy, but only because they recognize Hegel's critique of classical political economy as valid. I therefore consider them to be useful to further support Hegel's critique of classical political economy.

According to Winfield, Hegel in the above quoted paragraph (Hegel 1999, para. 192) lays out the basic principle of commodity exchange. The principle of mutual relations exhibit the movement of the pursuit of private interests from the abstract, isolated determination of needs and means to the concrete, universal interdependence of needs and means (Winfield 1987, 238). Winfield states that needs and commodities comprise "the correlative elements of market interaction", that is, what one needs is a commodity another person has, while what one possesses as a commodity to be exchanged is a need for another one (Winfield 1987, 238). In the modern world, these needs and commodities are always multiplied and refined, since they are not mainly dictated by any natural principles (Winfield 1987, 238). Winfield, thus, argues that economic needs are not natural or biological desires, prior to social interaction, but must be conceived of as a social yearning for what is neither one's own possession nor freely available in nature. Bourgeois needs are essentially aimed at commodities that can be acquired from other individuals. Yet the latter's own neediness creates a mutual interdependence between various pursuits of private interests.

For Winfield, the tension between the pursuit of private interests and the social interaction necessary to actualize the former is a key starting point of the market economy, which dialectically further develops all determinations of civil society. Thus, a system of needs, Winfield states, begins with an elementary relationship of needs and the means of its satisfaction, which allows mutual satisfactions of needs in civil society (Winfield 1987, 238). Winfield writes:

> [A system of needs] consists in nothing other than a market in which a plurality of individuals faces one another simultaneously as bearers of personally chosen needs for the commodity of others, and as owners of some commodity that others similarly need. (Winfield 1987, 238)

In short, Winfield has positive views towards capitalism conceived of as a system of needs, since he considers that the dialectic between the pursuit of private interests and their sociality can be resolved.

By contrast, Benhabib argues that Hegel in the above-mentioned paragraph expounds an opposition between the principle of individuality and sociality of the market economy. She argues that Hegel claims that the abstract universality of needs, means, and modes of satisfaction produces a concrete sociality, which is an opposite determination of the pursuit of private interests. Yet Benhabib argues that Hegel's conception of "the concentration of wealth" occurring through "the expansion of the system of exchange and commodity production" explains only the surface phenomena of the opposition between the principle of individuality and sociality in the market economy (Benhabib 1981, 158). Benhabib claims that what Hegel considers to be the "social polarization", in which poverty grows "in proportionate relation to the growth of wealth", is not a mere phenomenon of civil society. For her, the social polarization is an expression the deeper 'logic' of civil society, since a different type of sociality conceived as the exploitation of the masses is revealed (Benhabib 1981, 158). Thus, the exploitation of the masses is another type of sociality that shows the opposition between rich and the poor in a new light, where only through the poor can the few become rich, even if, at first sight, wealth appears as a result of a just relation in the wage-labour capital contract or the sociality of the market economy. She writes:

> By distinguishing the alienability of one's labouring activity for a limited period of time from the complete alienation of one's capacity to labour, Hegel offered the juridical foundation of the wage-labour capital contract. At the normative level, i. e., from the standpoint of the rights of free personality, Hegel draws the distinction between labour as concrete human activity and labour-power as the capacity of labour as such. It is clear, though, that this normative distinction between labour and labour power does not play a systematic role in Hegel's analysis of civil society. For the distinction between labour and labour power, coupled

> with the premise that the value of labour power as of all commodities is determined by the socially necessary labour time for its production, would have led to the determination of wages and to an analysis of surplus value. (Benhabib 1981, 159)[47]

In Hegel's system of ethical life, the opposition between individuality and sociality is supposed to be ultimately resolved, but she thinks, following Marx, the opposite. For her, the logic of civil society, as Marx claims, is an essential contradictory dialectic that cannot be resolved given the premises of a capitalist market economy. Quoting Marx's critique of the *Philosophy of Right*, she writes:

> Hegel's chief mistake consists in the fact he conceives of the contradiction in appearance as being a unity in essence; i. e. in the idea; whereas it certainly is something more profound in its essence, namely an essential contradiction. (Marx 1970, 71)

Just like Winfield, Benhabib claims that the abstractness of needs and the means of their satisfaction show that a system of needs is not a "naturally pregiven inventory of humans needs", but, rather, is the result of a continuous multiplication and refinement of needs and their means of satisfaction (Benhabib 1981, 157). Contrary to Hegel, Benhabib's view towards capitalism conceived of as a system of needs is a negative one, since capitalism, for her, is tainted by an opposition between the individuality and sociality of the pursuit of private interests.

Regarding the second issue, that is, Hegel's conception of the "logic" and class structure in civil society, many authors who write on Hegel's *Philosophy of Right* agree on defining the "logic" of civil society by the opposition between the individuality and sociality of the pursuit of private interests. Their difference rather lies in how this dialectical relation can be resolved, if at all. Authors such as Seyla Benhabib, Thomas E. Wartenberg, and Richard Dien Winfield argue that Hegel's logic of civil society leaves a big hole in the system of the philosophy of right. On their account, he failed to philosophically explain why crucial problems in a system of needs occur. I mainly focus on analyzing Benhabib's and Wartenberg's interpretation of the "logic" of civil society as representative of Marxist perspectives on Hegel, which guides many authors views on Hegel's *Philosophy of Right.*[48] These authors each in their own way tried to improve Hegel's work in

47 Clearly, Benhabib endorses the controversial view of Marx regarding the labor theory of value. For an opposite view, see Cohen (1979). In this article, Cohen disregards the view that the labor theory of value is central to explain the problem of exploitation in the capitalism. I do not elaborate the discussions in this controversy, but it should be clear that Benhabib's claim cannot be taken for granted even within Marxist circles.

48 Winfield, exceptionally, argues that the logic of capital follows a Hegelian logic of the concept, but like the other authors he considers Marx's logic of capital to be key conceptual resource to the *Philosophy of Right* by drawing from Marx's work on *Capital and Grundrisse* (see Marx 1973).

Benhabib takes a firm stand as regards Hegel's failure to go beyond a system of needs in his philosophical analysis of civil society. Only Marx, she argues, conceptually developed Hegel's merely phenomenological analysis of the problems that arise from the dynamic tendencies of civil society. In her view, Marx and Hegel followed two different logics to analyze civil society, yet Marx's logic of capital provides a better way to improve Hegel's insight into the logic of civil society and philosophy in general. Yet she claims that it is not possible to reject Hegel's system, while taking Hegel's method to be a genuine aspect of Hegel's philosophy, as traditional Marxists argue.[49] Instead, Benhabib claims that one must accept the unity of method and system in Hegel's philosophy, but that Hegel's version of this unity can only be refuted by finding a Marxian version of it.

Benhabib states that Hegel clearly understood the science of political economy by characterizing civil society as a system of needs or a sphere of market relations. For her, Hegel is right in stating that the social interdependence in the market economy can be explained by the logic of the invisible hand (Benhabib 1981, 156). In Benhabib's view, however, Hegel failed to explain "the dynamic tendencies of civil society", since he was only able to offer a "description of the surface phenomena of civil society" (Benhabib 1981, 157). She argues that Hegel does not explain why "the infinite multiplication of proliferation of needs, and the growth of luxury, and the concentration of wealth form the inner dynamic of civil society" (Benhabib 1981, 158). Even if Hegel, Benhabib argues, is aware of "inner contradictions, dynamic, and crisis-generating potentials of civil society", he fails to "ground the phenomena of civil society in a system of social production and reproduction", by explaining the logic of capital (Benhabib 1981, 153). Ben-

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amending or further developing Hegel's logic of civil society, especially as regards his account of a system of needs. Moreover, he claims that he reinstates Hegel's *Philosophy of Right* by conceptually amending some of Hegel's outmoded views in civil society and the state. Although Winfield (2016) acknowledges the credit that should be given to Marx for his ability to further develop Hegel's insight into a system of needs in his conception of capital, he considers Hegel conception of the state, albeit with still some amendment, to provide a satisfactory solution to the problems that occur in civil society and ethical life as a whole.

49 This path taken by Benhabib to elaborate on the relation between Marx and Hegel is an advanced position when compared with traditional Marxists approach, which considers only Hegel's dialectical method but not his system of philosophy to be relevant. These authors, including Benhabib, have understood that method and system are intertwined in Hegel's philosophy in such a way that any refutation of one without the other is a self-defeating approach. See section 2.2 of this book on Schmitt's interpretation of the relation between Hegel and Marx, which is in the same vein as traditional Marxism.

habib claims that Hegel's analysis civil society has "no "logic" beyond the dialectic of the individual and the social, the particular and the universal" (Benhabib 1981, 160). She, thus, suggests that Hegel's insight into the logic of civil society must be distinguished from Marx's logic of capital in order to go "deeper into an examination of those social relations that generate and sustain the contradictions of civil society" (Benhabib 1981, 160). By contrast, Hegel claims that those problems that occur in a system of needs should be contained in a larger whole, that is, the state. This solution, Benhabib claims, shows that Hegel "fails to ground the dynamic tendencies of civil society [...] in that sphere which is not the seat of universality, but the generative mechanism of particularity, viz., the production and reproduction of the social totality" (Benhabib 1981, 160). Put simply, she claims that Hegel should have considered the logic of capital to be a source of all gains and failures in civil society. As was stated, for Benhabib, Marx was right to claim that Hegel fails to see that the contradiction in civil society is not an appearance but an essential contradiction within civil society. In sum, she argues that only by distinguishing Marx's logic of capital from Hegel's logic of civil society can we take Marx to provide an account of the unity of form and content, or method and system, as Hegel does.

In his 1873 edition of *Capital*, Benhabib states, Marx makes a distinction between the method of investigation and the method of exposition, which is a key conceptual resource to expound on the relation between Marx and Hegel. Both Hegel and Marx, Benhabib states, agree on the idea that "the method of exposition confers theoretical status upon the results of investigation" (Benhabib 1981, 161). Hegel, for instance, claims that scientific philosophy can result from the method of exposition proving itself to be the "single appropriate manner of expounding a certain subject matter" (Benhabib 1981, 161). Quoting Hegel from his *Science of Logic*, she states:

> It is clear that no exposition can be accepted as scientifically valid which did not pursue the course of this method and did not conform to its simple rhythm, for this is the course of the subject matter itself. (Hegel 1969, 54)

According to Benhabib, Marx and Hegel also agree on the way that "the method of exposition proceeds from abstract categories to more concrete ones" (Benhabib 1981, 161). For instance, both Marx and Hegel consider the commodity structure to be the starting point of their analysis of civil society (Benhabib 1981, 161). Moreover, both Hegel and Marx in Benhabib's view conceive of categories as not merely mental abstractions, but also as possessing an aspect of existence.[50] Accordingly,

50 In the *Grundrisse*, Benhabib claims that Marx states that categories "express the form of she argues that the progression of categories in theory is a movement of thought towards the real (Benhabib 1981, 162). In this regard, capital is "a more concrete category than the commodity in virtue of entailing a more extensive set of social relations" (Benhabib 1981, 162).

Benhabib claims that, despite these common points, Marx diverges from Hegel by maintaining "a radical distinction between the order of thought and the order of the real" (Benhabib 1981, 161–162). She argues that, for Marx, the order of exposition of capital must be distinguished from the order of real relationships that capital entails. Marx, thus, rightly takes the theoretical succession of categories to be that which "may or may not correspond to the order of their relationships within the social and historical totality constituting the capitalist mode of production" (Benhabib 1981, 163). She writes:

> Strictly speaking there is no "first" in the order of reality for Marx. The movement of the real is circular and self-reproducing. While commodities as use-values are produced in the labour-process, it is a presupposition of the labour process in the capitalist mode of production that the raw material, the machinery, the means of subsistence of the worker, and labour power be themselves available as commodities. (Benhabib 1981, 163)

According to Benhabib, Marx is right in distinguishing the order of theory and order of actual existence. As was stated, she claims that for both Marx and Hegel categories have an aspect of conceptual and actual existence. Yet Benhabib argues that categories must reveal a different order relation in its actual existence, since they are not mere abstract concepts but are socially embedded, which is essentially different from the abstract concepts. Benhabib states:

> Viewed in light of the circular movement of production and reproduction, the categorical exposition of the theory reveals, beneath the linearity of logical sequence, a different order of relationships that obtain between the categories insofar as these are also aspects of a concrete, self-generating, and structural totality. (Benhabib 1981, 164)

Put another way, the theoretical analysis may not fit into the real, since in the real life the theoretical analysis reveals something contradictory to it that is more essential and concrete than the abstract analysis in theory. Thus, Benhabib claims that Hegel wrongly considered "the unfolding of a single conceptual principle" to define the logic of exposition (Benhabib 1981, 164). For Hegel, the given is a mere moment of difference that can be overcome, since it is the unfolding of self-identical principle (Benhabib 1981, 164). Contrary to Marx, Hegel in her view reduces

being, the determinations of existence and only individual sides of this specific reality" (Benhabib 1981, 161; Hegel 1999, para. 32).

"the real to a pale shadow of thought" (Benhabib 1981, 161–161). Whereas Hegel considers the concrete totality to be "the completed system of conceptual determinations unfolding as an intelligible and logically ordered transparent whole", Marx considers knowledge to be "a process of penetrating deeper into the logic of a living, concrete totality" (Benhabib 1981, 165).

Benhabib states that, for Hegel, civil society is mainly defined by "the contradiction between the universal and particular concretizations of free will" (Benhabib 1981, 164). Yet Hegel, she argues, wrongly thinks that this contradiction can be "resolved only in a form of life where individuals in their own activities consciously seek and choose according to the universal" (Benhabib 1981, 164). Thus, while Hegel aims at making "explicit the implicit rationality and intelligibility of the phenomena", Marx's goal is "to reveal the ground, the system of social production and reproduction that generates the phenomenon" (Benhabib 1981, 164). Thus, Benhabib argues that Marx is right in claiming that "the appearances reveal a new meaning and a new dynamism, so that the given as a conceptual source uncovers "the laws and structures that generate the given" (Benhabib 1981, 164).

In sum, Benhabib argues that it is no longer possible to take Hegel's dialectical method to be more relevant than his system. She rightly states that the unity of method and system cannot be refuted, since the method entails the system. Instead, she tried to find a flawed element in Hegel's logic of civil society, which shows the overall limits of Hegel's approach to civil society and to philosophy in general.

Another Marxist perspective on Hegel's civil society, to which I now turn, is Wartenberg's analysis of civil society in "Poverty and Class Structure in Hegel's Theory of Civil Society". In this article, Wartenberg undertakes the task of elaborating on the most controversial issue of 'poverty' from the perspective of Hegel's theory of class structure. He claims that authors such as Avineri think that Hegel is unable to offer a solution to the problem of poverty, while Taylor, by contrast, argues that Hegel tries to find a solution to the problem of poverty in his theory of the state (Wartenberg 1981, 169–170; Avineri 1972, 172; Taylor 1979, 131). As Wartenberg states, both Avineri and Taylor give credence to the state as key to resolving the problem of civil society, while they disagree on whether Hegel takes seriously the problem of poverty that afflicts the social order (Wartenberg 1981, 170). Wartenberg, by contrast, argues that poverty is central to Hegel's social philosophy, yet the issue is not so much "simply poverty" as the relation between civil society and the state. According to Wartenberg, the main point is to answer the question whether it is civil society or the state that secures freedom for the majority of its members, which is the main reason for individuals to be socially organized in the first place, as Hegel argues (Wartenberg 1981, 170).

Wartenberg claims that, as it is well-known, Hegel is in favor of the state rather than civil society to secure freedom for the majority of its members. Hegel's view, however, did not sit well with Wartenberg. He argues that it is true that the limits of civil society, for instance, the rise of the rabble and poverty, leads Hegel to conceive of the state rather than civil society as an ultimate solution for the limits of civil society. Yet, according to Wartenberg, Hegel's main reason for making such a claim is his flawed theory of class structure. This theory, Wartenberg argues, leads Hegel to think that civil society is not adequate to secure freedom to the majority of its members. Thus, Wartenberg argues that only by elaborating on class structure as conceived by Hegel can we find a solution to the problem of poverty in civil society (Wartenberg 1981, 170).

Hegel thinks that civil society is not adequate to realize human freedom, even if, as classical political economist rightly pointed out, the market economy that produces wealth is a means of realizing human freedom. Wartenberg endorses Hegel's idea that wealth as a social product, thus, is "the basis for the realization of human freedom in civil society" (Wartenberg 1981, 171). Hegel claims that in abstract right the freedom of individuals is realized in property. Yet civil society is a more adequate realization of freedom, since civil society provides individuals with the means to satisfy their spiritual desires. Wartenberg writes:

> By satisfaction of social needs individuals are able to achieve recognition and thus acquire a degree of fulfillment greater than that offered by the mere possession of property. (Wartenberg 1981, 172–173)

All that is required to realize freedom in civil society, Wartenberg argues, is that individuals "have enough of a share in the social wealth so as to be able to realize some of his/her spiritual needs" (Wartenberg 1981, 173).

Although Wartenberg follows Hegel's conception of wealth in civil society as a means to actualize human freedom, he argues that Hegel's official theory of class structure fails to mention poverty. Hegel argues that "civil society has three broad classes that reflect the manner in which individuals come to share in the communal wealth" (Wartenberg 1981, 173). Hegel did not try to include the poor, including the working class, to be part of the class structure, which shows that "the categorical framework that Hegel uses to describe civil society is inadequate" (Wartenberg 1981, 174). Wartenberg writes:

> Poverty is a problem for civil society because it is a necessary consequence of the working of civil society that certain individuals be reduced to poverty. Indeed, civil society not only creates poverty, but also makes it impossible for the poor to avail themselves of traditional means to alleviate it. (Wartenberg 1981, 175)

Like Benhabib, Wartenberg reverts to a Marxist position to find a better way of providing an account of social division that can incorporate the poor within a theoretical framework of class structure. He considers Marx's distinction between a laboring class and a class which controls the social wealth to be key to understanding class structure in civil society. Yet what Wartenberg takes to be Hegel's pessimistic conclusion, namely, that the problem of poverty and the rabble cannot be resolved (cf. Hegel 1999, para. 245), is not acceptable for him. In his view, Hegel's theory of class structure is the reason for his thinking that the problem of poverty cannot be resolved in civil society. Wartenberg, thus, concludes that Hegel's discussion of poverty reveals "a central theoretical flaw in his theory of civil society" (Wartenberg 1981, 177). While Hegel grants people in civil society the freedom to pursue their own private interests, he should have at the same time acknowledged that civil society "reveals a different class structure" (Wartenberg 1981, 177). This is a failure to grant a theoretical legitimacy to a social division that is created by civil society. Wartenberg states:

> Hegel retains the notion that the fundamental *Stände* of civil society are constituted by the manner in which individuals share in the communal wealth, while also seeing that increasing numbers of people are excluded from such participation by the very workings of civil society itself. (Wartenberg 1981, 178)

Hegel, thus, fails to acknowledge that the solution to poverty is interlinked with the theory of class structure that fails to grant a place for workers class and poor people in the communal wealth. For this reason, Hegel has "no means to address the situation of those individuals" who are not included in one of the estates (Wartenberg 1981, 180).

Wartenberg claims that there is no way for Hegel to address the problem of poverty in his discussion of the state, since Hegel's theory of the state takes into account only those individuals who are already part of a *Stände* in civil society. Wartenberg writes:

> Hegel rules out any way of handling the problems of individuals who are not member of civil society, i. e., the workers and the poor. Thus, we see that Hegel's failure to accord theoretical legitimacy to the class structure that forms the basis of the actual workings of civil society entails that this theory of the state is unable to address the problem that Hegel acknowledges to be inherent in civil society due to its "movements". (Wartenberg 1981, 180)

Wartenberg considers Marx's position on the social division to be an advanced one over Hegel's, since, unlike Hegel, Marx tried to establish his theory of the state on the basis of granting the working class a special place in civil society and ultimately abolish what he considers to be the bourgeoise state (Wartenberg

1981, 181).[51] Yet Wartenberg claims that, unlike Marx, he takes a view that "the central failure of Hegel's theory of civil society [...] stems from his failure to grant theoretical status to phenomena that he sees as necessary to that society" (Wartenberg 1981, 181).[52] By contrast, Wartenberg argues, Marx considers Hegel's failure to be "methodological", that is, a method Marx calls as Hegel's "uncritical positivism and equally uncritical idealism" (Marx 1975, 385; and, Wartenberg 1981, 181). Put another way, for Marx, Hegel ignores a deeper understanding of the method as an essential feature of civil society, rather than as a phenomenon civil society, which cannot be resolved in a bourgeoise state. As I see it, while Wartenberg thinks that Hegel's failure can be amended at the theoretical level, even if he did not explain the details of how exactly he wants to reconstruct a class division in a way that is different from Marx, Marx, in Wartenberg's view, considers only the social and practical level change to be a solution to Hegel's failure.

Despite their sophisticated analyses of civil society from the perspective of class structure and the "logic" of civil society, I disagree with both Benhabib's and Wartenberg's analysis of Hegel's account of civil society. As I see it, both authors, contrary to Hegel, maintain a false dichotomy between the sphere of thought and its instantiations, or between essence and appearance. It is true that categories exhibit two aspects in their opposition: the form of thought and the form of instantiations, yet these are not fixed opposition, in which the aspect of instantiation is more real than the former. In the third part of the *Science of Logic*, *the Doctrine of the Concept*, Hegel, however, argues that it is only by granting a privileged place to the logic of essence that can one maintain a fixed opposition between appearance and essence or instantiations and thought. Unlike Benhabib, I do not take Hegel's logic of the concept to be arguing for "the unfolding of a single conceptual principle" supposed to define the logic of exposition (Benhabib 1981, 164). Hegel's logic of the concept is a complex account of the relation between thought and its instantiations as elaborated by his account of the universality, particularity and individuality of the concept. He argues that the opposition between universality and particularity is resolved in their unity. Yet I do not want to elab-

51 As was discussed, Benhabib holds a similar position towards Hegel's conception of civil society. However, Wartenberg take a more concrete approach, that is, analysing the problem of poverty in civil society, to elaborate his position than focusing on the "logic" of civil society, as Benhabib does.

52 Ultimately, Wartenberg takes a stand similar to Benhabib, who draws her view from Marx, in that he claims that Hegel's mere phenomenological analysis of poverty expresses an essential logic of civil society, namely, the logic of capital, that creates wealth and poverty at the same time.

orate this point in detail. For my purpose, it is possible to show Hegel's point in his analysis of civil society without delving into his *Science of Logic.*

As will be discussed in the next section, Hegel's analysis of the corporations overcomes the opposition between universal and particular interests, which ultimately points to a direction that shows us how the limits of civil society can be resolved. More specifically, if we take Hegel's conception of corporations to be applicable to all estates, then we can see that the problem of poverty and the rabble need not occur in civil society. On this reading, corporations are open to everyone who come together as a social group in order to secure their similar private interest. Thus, in the next section, I deal with what I consider to be Hegel central insight in the chapter on civil society: his conception of corporations.

3.5 Hegel's Conception of Corporations

Before considering corporations as a better solution than law to overcome the limits of a system of needs, Hegel examines one other effort to resolve the limits of a system of needs, that is, the administration of justice, or simply law. Thus, I will first briefly discuss the role of law in civil society. Then, I will discuss Hegel's key solution to problems that arise within a system of needs: the corporations. Finally, I will briefly analysis the views of scholars Hegel conception of civil society, namely, Benhabib's and Wartenberg's as well as de Boer's, from the perspective of Hegel's conception of corporations.

As was discussed previously, Hegel considers the system of needs to consist of two key moments: the moment of pursuing private interest and the moment of universality of freedom. The latter is contained in the system of needs "only abstractly and hence as the right of property" (Hegel 1999, para. 208). For that reason, Hegel argues that the concept of the system of needs must give way to the administration of justice, so that property right can be protected by law.

Nonetheless, Hegel claims that such right comes into existence only because it is useful in relation to needs (Hegel 1999, para. 209). Only through the administration of justice can property right exist actually—the protection of property right through law. In the administration of justice, civil society "gives right an existence in which it is universally recognized, known and willed" (Hegel 1999, para. 209).

According to Hegel, law exists objectively if it exists as "what is right and valid" (Hegel 1999, para. 211). In this way, right becomes positive right in general (Hegel 1999, para. 211). By positing right as universal, positive right brings right to the consciousness as something everyone knows or thinks. In this vein, Hegel claims that legislation represents the "cognition of the content in its determinate universality" rather than just declaring of the rule of behaviour (Hegel 1999, para.

211). According to Hegel, custom is, for instance, such inner and essential moment, for custom is the "the moment of thoughts and of being known" (Hegel 1999, para. 211).

However, law is still contingent in respect to particular interests and other particular factors that can intervene in the law (Hegel 1999, para. 212). For that reason, laws may differ in content from what is right in itself. Hegel, thus, claims that laws must also come into existence in terms of specific contents (Hegel 1999, para. 213). Thus, the form of right that is posited as law must be applied to the material of civil society. The material of civil society includes property relations, contracts and family relations. Insofar as these materials become an object of law, they obtain a new feature, i. e., property law, family law and economic law (see Winfield 1995, 101–116). The key question, for our purpose, is whether law can sufficiently overcome the limits of civil society as regards securing the proper function of the system of needs, especially regarding the pursuit of private interest and the latter's universality in free commodity exchange.

The administration of justice, Hegel argues, enforces property right, so that the commodity owners can engage in the market economy. Hegel states that civil society "returns to its concept" in the administration of justice (Hegel 1999, para. 229). Law enforces property right as a universal right that must be applied equally to every property owner. In this way, the social enforcement of property rights provides a civil right of its own. Everyone in the society enjoys their property right under recognized civil authority. The exercise of this right, thus, entails the implementation of civil law by police, civil courts, and penal institutions as regards individual cases and universality of abstract right.

According to Hegel, law, however, cannot remedy the social wrong of unsatisfied needs. For that reason, law must be supplemented by a social body that specifically attend to the unsatisfied needs continually generated by commodity relations themselves. This social institution should not remove the market economy, but only intervene upon its commodity relations, so that needs and their satisfaction are not suspended. The inherent limit of the market economy entails that a social institution needs to address this task: the corporation.

As was stated previously, Hegel holds that the individuals' welfare in the market economy depends on their freedom to privately pursue their own ends and on the objective system of needs that requires the universality of freedom or will to guarantee the mutual satisfaction of needs. As was shown, the enforcement of law secures the moment of private pursuit in the market economy by protecting property right and its infringements.

A system of needs may come back to its normal course through this kind of interventions. Hegel assigns the role of intervention to the police (Hegel 1999, para. 230). Thus, the right of the pursuit of private interest is not only "the undisturbed security of person and property", but also entails, Hegel argues, "the livelihood and welfare of individuals" (Hegel 1999, para. 230). Particular welfare, Hegel claims, should also be treated as a right that must be actualized (Hegel 1999, para. 230). In the case of corporations, however, all needs and means of satisfaction are internally connected or sublated, since both a system of needs and the administration of justice are internal to the formation of corporations. This means that corporations not only protect the interest of their members by promoting common interest, but also recognize a plurality of corporation as essential entities within the society as whole in order to fulfil multiple needs. Thus, the corporation is a type of social association in the civil society that goes beyond the administration of justice in order to secure the individuals' right to properly satisfy their pursuit of private interest. In the remaining part of this section, I elaborate on Hegel's conception of corporations.

Hegel's conception of the corporation is key to resolving the limits of a system of needs by using the conceptual resources of civil society itself (see Ferro 2022; Anderson 2001).[53] Hegel conceives of the formation of corporations as a peculiar privilege of civil society. Corporations are associations of individuals who have similar interests. It allows its members to protect and secure their interest. Hegel writes:

> The work performed by civil society is divided into different branches according to its particular nature. Since the inherent likeness of such particulars, as the quality common to them all, comes into existence in the association, the selfish end which pursues its own particular interest comprehends and expresses itself at the same time as a universal end; and the member of civil society, in accordance with his particular skill, is a member of a corporation whose universal end is therefore wholly concrete, and no wider in scope than the end inherent in the trade which is the corporation's proper business and interest. (Hegel 1999, para. 251)

As is well known, labour figures in the system of needs as means of satisfaction, so that individuals earn their living by selling their labour power. Only in a civil society can one sell one's labour power for a fair wage. Labour entails the division of

53 In this article, Ferro provides an account of the relevance of corporations in order to overcome the limits of a system of needs. In my opinion, Ferro rightly opposes Hegel's views to classical political economy; however, he does not fully elaborate on why the logic of corporations is so important to solve the problem of market economy such as poverty. Anderson, for his part, argues that Hegel considers the change in the practice of consumption and the institutionalization, including corporations, to be key to overcoming poverty, even if Hegel did not explicitly elaborate this point. Contrary to Ferro, Anderson did not make a contrast between the logic of system of needs and the corporations so as to show how Hegel goes beyond the classical political economists.

labour (Hegel 1999, para. 251). Hegel conceives of these different branches of labour as estates, distinguishing between the agricultural estate, the universal estate, and estates of trade and industry. Hegel claims that the corporations are the specific characteristic of one of the three estates, namely, the estate of trade and industries, which represent a society of people sharing the same trade or profession. Yet Hegel also suggests that churches and municipal governments can also have the feature of corporations (see Hegel 1999, paras. 250n1, 270, 288).

According to Hegel, the estates are social groups that arise from the labour activity, in which labour and the satisfaction of needs are its basic features. While means and their needs satisfaction becomes "differentiated into universal masses", Hegel argues, "the whole complex evolves into particular systems of needs" (Hegel 1999, para. 201). These particular systems have their own "corresponding means, varieties of work, modes of satisfaction, and theoretical and practical education" (Hegel 1999, para. 201). Hegel, thus, claims that the convergence into particular system of needs and the separate assignment of individuals to these systems results in different estates. Whereas the family is the primary basis of the state, the estates are the second basis of the state (Hegel 1999, para. 252). Hegel claims that the estates are more important, for "private persons, despite their selfishness, find it necessary to have recourse to others" (Hegel 1999, para. 201). The root of the recourse to others that is created by the estates links private pursuit and universal interest.

Hegel claims that the estates exhibit the character of conceptual determination that exhibits universality, particularity and individuality.[54] Accordingly, they are distinguished in terms of immediate form, mediated form and the unity of the two.

The substantial estate, that is, the immediate form, is the agricultural estate that has "its resources in the natural produces of the soil which it cultivates" (Hegel 1999, para. 203). In this mode of subsistence, reflection will play a lesser role. The main feature of this estate is "that of an immediate ethical life based on the family relationship and on trust" (Hegel 1999, para. 203). The agricultural estate consists in the cultivation of land that is held in private property. Regarding the estate of trade and industry, which is the mediated form, Hegel claims that it has the task of giving form to natural products. This estate "relies for its livelihoods on its work, on reflection and the understanding, and essentially on its mediation of the needs and work of others" (Hegel 1999, para. 204). Finally, the uni-

54 Yeomans argues for a similar view, when he writes that the estate schema is "a precondition for robust individual agency as such" (Yeomans 2017, 474).

versal estate has the universal interests of society as its business. Thus, the universal estate must be "exempted from work for the direct satisfaction of its needs" (Hegel 1999, para. 205). The exemption can be achieved either by having private resources, or by receiving an indemnity from the state which calls upon its services (Hegel 1999, para. 205). Accordingly, in this case the private interest is "satisfied through working for the universal" (Hegel 1999, para. 205).[55]

Hegel's advanced conception of the estates is elaborated in his conception of the corporation, which considers only the second estate to be shaped by corporations. As I see it, however, Hegel's conception of corporations can be extended to all the estates, while all the estates maintain their specific tasks. Thus, in my view, if Hegel's official theory of class structure is conceived of as his conception of corporation, in which all the types of the estates can internalize particular interests and the kind of legality proper to it, then civil society would be constituted by a plurality of corporations that engage in different kinds of professional and traditional tasks such as farming and trading, etc.

Hegel argues that the corporation is a sphere of social freedom, for the "selfish end which pursues its own particular interest comprehends and expresses itself at the same time as a universal end" (Hegel 1999, para. 251). In this way, Hegel claims that those who come together to be members of corporations by their particular skills become members of a universal whole conceived as the corporation (Hegel 1999, para. 251). The universal end of a corporation, Hegel states, is wholly concrete, yet the scope of the corporation, however, is limited just as the end inherent in the trade—the pursuit of private interest (Hegel 1999, para. 251). Hegel states:

> The corporation has the right, under the supervision of the public authority, to look after its own interests within its enclosed sphere, to admit members in accordance with their objective qualifications of skill and rectitude and in numbers determined by the universal context, to protect its members against particular contingencies, and to educate others so as to make them eligible for membership. (Hegel 1999, para. 252)

Hegel, thus, conceives of corporations as allowing people to earn their living in it, and protecting the members and their families in case of adversity. Although individuals in civil society pursue their own private ends, corporations function as an association for "the whole range of universality of their particular livelihood" (Hegel 1999, para. 252). The rights or privileges that constitutes a corporation are distinct, which is to say that they are "legally fixed determinations which lie in the

55 Hegel considers the estates to constitute the bicameral legislative power through deputies. See Chapter 4 of this book on Hegel's account of the legislative power.

particular nature of an essential branch of society itself" (Hegel 1999, para. 252). In a system of needs, only the selfish end of pursuing one's own private interest is promoted (Hegel 1999, para. 251). In the corporation, both livelihood and capability are recognized, and, for that reason, a member of a corporation "has no need to demonstrate his competence and his regular income and means of support" (Hegel 1999, para. 253). As a member of the corporation, Hegel argues, individuals belong to "a whole which is itself a member of society in general" (Hegel 1999, para. 253). Once this connection between the whole in which individuals are members and the society as whole that includes all corporations is secured, individuals can endeavour to promote the less selfish end of their corporations (Hegel 1999, para. 253).

Hegel considers the absence of the corporation to be one of the reasons why a rabble can develop. More specifically, he claims that the absence of corporations leaves one without "honour in his estate" (Hegel 1999, para. 253). He writes:

> If the individual is not a member of a legally recognized corporation (and it is only through legal recognition that a community becomes a corporation), he is without the honour of belonging to an estate, his isolation reduces him to the selfish aspect of his trade, and his livelihood and satisfaction lack stability. He will accordingly try to gain recognition through the external manifestations of success in his trade, and these are without limit, because it is impossible for him to live in a way appropriate to his estate if his estate does not exist. (Hegel 1999, para. 253)

According to Hegel, the system of needs is a system that creates a rabble of poverty or a rabble of extravagance. As Hegel states, if civil society is left as a system of needs, as the theory of classical political economy assumes, then it "affords a spectacle of extravagance and misery as well as the physical and ethical corruption common to both" (Hegel 1999, para. 185). He writes:

> When a large mass of people sinks below the level of a certain standard of living – which automatically regulates itself at the level necessary for a member of the society in question – that feeling of right, integrity, and honour which comes from supporting oneself by one's own activity and work is lost. This leads to the creation of a rabble, which in turn makes it much easier for disproportionate wealth to be concentrated in a few hands. (Hegel 1999, para. 244)

Hegel does not hold that the rise of the rabble can be resolved by the resources of civil society. On one hand, he rejects direct support of the poor by the wealthier ones, since it is humiliating for poor to receive help without working. On the other hand, job guarantee for all "would increase the volume of production" (Hegel 1999, para. 245). The latter tend to give rise to colonial expansion as solution to get consumers of overproduction (Hegel 1999, para. 246–248).

If there should be any solution to the problem of poverty and the rise of the rabble, I hold that we should take Hegel's conception of corporations more seriously than Hegel himself did. The only thing that Hegel did not openly assert, but I think is very significant, is the need to transform a system of needs conceived as a system of estates into a set of corporations. In this case, poverty and the rabble cannot occur for two reasons. On the one hand, the poor can receive help from corporations, which removes the contingent and humiliating character of receiving direct help from the wealthier ones. In this task, other governmental and non-governmental organizations can also voluntarily participate. On the other hand, since wealth comes from people's effort in fulfilling the duty they are expected to fulfil in their association, individuals will be humbled by their gains, as wealth is a gain from the effort of a group of individuals. Hegel writes:

> Within the corporation, the help which poverty receives loses its contingent and unjustly humiliating character, and wealth, in fulfilling the duty it owes to its association, loses the ability to provoke arrogance in its possessor and envy in others. (Hegel 1999, para. 253)

Moreover, Hegel argues that the corporation establishes an ethical root of the state next to that of the family (Hegel 1999, para. 255; Pateman 1970, 110).[56] In the family, needs and their satisfaction as well as law are found as a substantial unity, while in the corporation needs and their satisfaction as well as law are first "divided into the internally reflected particularity of needs and their satisfaction and abstract legal universality" (Hegel 1999, para. 255). In the latter case, thus, needs and their satisfaction as well as their lawfulness are "inwardly united in such a way that particular welfare is present as a right and is actualised within this union" (Hegel 1999, para. 255). In this regard, the stability of civil society depends upon "the sanctity of marriage and the honour attaching to the corporation" (Hegel 1999, para. 255). Hegel writes:

56 Pateman considers corporations to be a vehicle for political freedom. For her, corporations are a social condition that determines the political sphere in such a way that the popular participation promoted within corporations leads individuals to appreciate the connection between the public and the private sphere. In my view, however, her approach wrongly assumes that the kind of freedom exercised in the social realm is similar to the one in the political realm. Lisa Herzog's in her book *Inventing the Market* likewise fails to make a distinction between social and political freedom. That is why I think Herzog considers the views of political economist such as Smith to be a political theory as well. She states that Smith is "not only an economist, but also a political thinker who reflects on the relation between market and society. This means that he is worth being taken seriously by political philosophers" (Herzog 2013, 14).

> The corporation, of course, must come under the higher supervision of the state, for it would otherwise become ossified and set in its ways, and decline into a miserable guild system. But the corporation in and for itself is not an enclosed guild; it is rather a means of giving the isolated trade an ethical status and of admitting it to a circle in which it gains strength and honour. (Hegel 1999, para. 255)

In this quote, I think Hegel is not claiming that the state itself should use corporation as a means to stabilize the market system, but only that the state must have an upper hand to foresee its proper functioning.

In sum, according to Hegel, the corporation is an association that possesses the quality of both the system of needs and the administration of justice. For that reason, corporations can resolve the inherent limits of the market economy by incorporating the key moment of civil society, so that the one-sided determination of the system of needs and the administration of justice are resolved in it.

Yet Hegel acknowledges that "the end of the corporations" is limited and finite. As I see it, even if corporations resolve the limits of a system of needs to some extent, they have no means to resolve the problem of competition that leads to conflicts among a plurality of corporations. Thus, Hegel suggests that only a move towards a universal end in-and-for itself can be a solution to the limits of civil society (Hegel 1999, para. 256). Hegel states:

> Town and country – these constitute in general the two ideal moments from which the state emerges as their true ground. – This development of immediate ethical life through the division of civil society and on to the state, which is shown to be their true ground, is the scientific proof of the concept of the state, a proof which only a development of this kind can furnish. (Hegel 1999, para. 256)

Thus, Hegel argues that the state is a satisfactory solution to the limits of civil society because in the state civil society "takes on its infinite form", that is, in the state "the inward being of self-consciousness" and universality conceived of as objective and actual spirit in laws and institutions exist in free will as thought (Hegel 1999, para. 256). Put simply, the state comes into being as the concrete unity of individuals who pursue their private interest and the universal interests of the society as a whole.

In sum, Hegel's conception of the corporation presupposes a system of needs, but reconceives the lawfulness of the latter as a result of the intended actions of social groups that come together due to the similarity of their private interests. Hegel argues that the basic elements of a system of needs, i.e., the pursuit of private interest and the administration of justice, can be incorporated into the corporations, while he rejects the dogmatic aspects of a system of needs, namely, the invisible hand theory. Thus, corporations resolve the limits of a system of needs, that is, the fixed opposition between the pursuit of private interest and its legal framework, by transcending their one-sided conception into a higher unity of corporations.

As was discussed, authors such as Benhabib and Wartenberg consider Hegel conception of the estates to be a flawed conception of class structure. These authors consider Marx's logic of capital to be a more advanced position than Hegel's logic of civil society. Seen from the perspective of Hegel's analysis of corporations, these authors underestimate the role Hegel assigned to corporations to resolve the limits of a system of needs. In this regard, it is wrong to attribute to the estates a new class structure conceived of as the rich and the poor, rather than that of the three estates, which, in turn, can be transformed into a set of corporations.

On my account, Hegel can be defended against these scholars' charge that he fails to find a solution to the problem of poverty in civil society for various reasons. To begin with, Hegel recognizes the labour power as a means for everyone to work and earn a living. In a civil society, where property right is secured, there would be less chance to have individuals who have no means to be part of civil society (Hegel 1999, para. 196–198). Moreover, as I see it, Hegel's conception of the estates is comprehensive enough to encompass everyone. It is clear that most people who are willing and able to join the estates fall into one of the three estates, as Hegel discusses it (Hegel 1999, para. 199–208). The controversy among authors is rather on whether these estates are hierarchical and contradictory as in old regimes of feudal states.[57] Yet we should be aware of disabled, orphans, and elderly people, who should get support from governmental and non-governmental voluntary organizations, since they cannot fall into one of the estates under normal conditions. More specifically, as I stated above, the transformation of a system of needs into an economy guided by corporations, albeit Hegel did not emphasize it, overcomes the problem of poverty and the rabble, if any. However, I do not deny that poverty and the rise of the rabble is a significant problem since the beginning of modernity, but in my view it is not directly associated with civil society but, rather, with the system of needs as conceived in classical political economy. Thus, in a properly established civil society people cannot be so impoverished or so rich that they become a rabble, that is, sink below the level of poverty or accumulate excessive wealth.

Other authors, including Karin de Boer, rightly consider Hegel's conception of corporations to resolve the problems that arise within a system of needs. In de

57 The discussion of this issue goes beyond the scope of this book. For further study on this, see Zöller (1991); Winfield (2017). Whereas Winfield, for instance, completely rejects estates as a remnant of old regime, other authors such as Yeomans and Zöller present a more nuanced interpretation of estates in Hegel's *Philosophy of Right.*

Boer's view, Hegel argues that a stable market economy is possible if a system of needs transforms itself into corporations and the state itself intervenes in setting up those corporation as means to stabilize civil society. De Boer writes:

> For Hegel the function of the corporation consists in allowing citizens to transcend the abstract mode of freedom constitutive of a market economy. However, the corporation is also relevant to the mode of freedom that Hegel attributes to the state *itself.* If we take the state itself rather than the citizen as a starting point, then the corporation emerges as a means—produced by the state itself—that allows the latter to rein in the destabilising force of a market economy. (de Boer 2012a, 8)

For de Boer, Hegel's conception of corporations offers a key insight into the limits of a system of needs. She holds that this insight into the limits of a system of needs can be used as a conceptual resource to amend a system of needs to some extent. In my view, de Boer takes the right direction on pointing out the role of corporations to avert the ills of capitalism, while admitting that it cannot be a solution that fully resolves the limits of civil society. Yet she did not recommend it as a solution that can be applied within civil society, as Hegel does. Instead, she argues that the state can use corporations as a means to stabilize the market economy.

I agree with de Boer's view that, for Hegel, corporations resolve the limits of market economy that arises from the pursuit of private interest, but I do not think that Hegel holds the view that corporations should be injected into the market economy by the state as a stabilizing force. The latter view precludes the separation of civil society and the state. Yet I do not deny that it is a significant approach that minimizes the dynamic of a system of needs that creates poverty and excessive wealth. As I see it, Hegel's account of the corporation goes beyond the logic of a system of needs, which creates the problem of poverty and the rise of the rabble, since it secures a mediated rather than an immediate unity of the pursuit of private interests and its legal framework as conceived in a system of needs.

3.6 Conclusion

I have discussed so far that Hegel, in his critique of classical political economy, claims that a system of needs is not a stable social order, as is assumed in Smith's theory of the invisible hand. It is true that while individuals pursue their own private interest in the market economy, they end up creating unintended mutual interdependence. Yet the market economy, as Hegel sees it, is rather a sphere of freedom guided by a principle of sociality of its own. This view is recognized as valid even by authors such as Benhabib and Wartenberg, who do not accept the logic of civil society as Hegel conceived it. Drawing on Marx, they argue that his aim was not to overcome the problem of poverty that he saw, but to maintain the status quo of the bourgeoise Prussian state of his time. As I see it, this is a misguided view, since Hegel rightly defends civil society as a basic feature of any modern state that represents an advanced society since the ancient Greek. Yet he holds that civil society can exist in harmony with the state, since corporations that arise from a system of needs can avert the problem of poverty and the rabble. Thus, he not only tried to resolve the limits of a system of needs by means of corporations to the extent that this is possible, but ultimately saw a logical transition to the state as final solution to secure a political order.

Thus, my main argument was that the transformation of a system of needs into a set of corporations can solve the problem of poverty and the rise of the rabble, which is the result of the workings of a system of needs. Yet family, the state and non-governmental organizations also play a key role in protecting people who cannot be members of corporations. In sum, I showed that corporations presuppose a system of needs and the administration of justice, yet incorporate the basic principles of a system of needs and the administration of justice within it. Hegel, ultimately, argues for the state as a key conceptual resource that can resolve the limits of corporations in civil society once and for all. For Hegel, the state is a sphere of political freedom that actualizes private and communal interests at once.

Hegel's critique of classical political economy, thus, is very important to see the relation between civil society and the state. One way of expounding this relation is to see that the main elements of civil society, that is, a system of needs and corporations, are united in the state as a unity of individualist and communalist conceptions of civil society. One can also characterize the state as a sphere of freedom that arises from corporations as a highest unity of universal and particular interests. In the latter case, the state is a unity that overcomes the conflict among a plurality of corporations by creating a level playing field for their proper functioning. In all cases, the key point Hegel tried to attribute to the relation between civil society and the state is that civil society should be established in harmony with the state. In the next chapter, I elaborate on Hegel's conception of the state. Logically speaking, as will be discussed, Hegel's conception of the state proves that the sphere of thought can overcome the opposition between universality and particularity or thought and its instantiations. Contrary to civil society, the state expresses how the thought of citizens can exist by willing of universal laws as a unity of universal and particular interest. The state is a unity that expresses the pursuit of private interest and universal interest at once. Thus, contrary to Marxist readings of civil society, the state can prove that the order of thought and the order of the real is a false dichotomy.