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The End of Capitalism and its Future: Hegel as Founder of the Concept of a Welfare State

Abstract A key part of Hegel's practical philosophy is his theory of civil society and the idea of a rational regulation of the market. This is the foundation of Hegel's theory of a social state. The copyright on the notion of a modern society of freedom and a rational, social state belongs to Hegel. Hegel proves himself to be the thinker who until now has provided the most convincing foundation for freedom in modernity.

The theoretical foundation and at the same time bone of contention of Hegel's political thought is to be found in his concept of ethical life (Sittlichkeit), in particular in his theory of civil society. The current shipwreck of deregulated capitalism does not mean the foundering of our journey towards a free society. Nevertheless the deficiencies and unsustainability of both traditional models – socialist collective ownership and market fundamentalism – exhibit two contradictory claims to a share of the wealth of nations. To take up Hegel's project is, in essence, to aim at a new conception of an environmentally and socially sustainable and just society, and a corresponding world order. It is to further Hegel's philosophy of freedom.

Keywords: social state, modern society, freedom, Hegel's practical philosophy, regulation of the market

In an article in the New York Times with the title 'Hegel on Wall Street' the New York philosopher J. M. Bernstein diagnoses the reasons for the failure of neoliberal market-fundamentalist Wall-Street capitalism and recommends turning to the ideas of Hegel: “the primary topic of [Hegel’s] practical philosophy was analyzing the exact point where modern individualism and the essential institutions of modern life meet. If Hegel is right, there may be deeper and more basic reasons for strong market regulation than we have imagined.”

In the years since Hegel was writing, the gap between rich and poor has widened so far that the very foundations of democracy are threatened. 1% of the population now presides over one fifth of total wealth. Over one billion people today suffer from chronic hunger or malnutrition, as a result of which one dies every five seconds. One sixth of the world’s population – the so-called ‘bottom billion’ is condemned to live in extreme poverty, while at the same time there are 1,826 billionaires with an aggregate wealth of $6.5 trillion.

1 Bernstein 2010.
That Hegel’s philosophy is highly relevant to social, economic and political problems is something one could already read over 100 years ago, in an article in Harper’s *New Monthly Magazine*.

There it states that “Hegel is the most conspicuous of the liberals, a main figure of the liberal movement in Europe – “the true philosopher of progress, the philosopher par excellence of the only true political liberty.” What American readers glimpsed over a century ago is the profundity of Hegel’s practical philosophy. And a key part of Hegel’s practical philosophy is his theory of civil society and the idea of a rational regulation of the market. This, I argue, is the foundation of Hegel’s theory of a social state. Hegel’s concept of civil society, of the rational regulation of the market and the idea of a social State will be my themes.

At the outset we may note that the pattern of thinking one finds in the Wall Street market fundamentalists actually shows remarkable similarities to that of their professed opponents, namely supporters of the People’s Republics – both display an untenable economism and a tendency towards state socialism. Today these two conceptions form an unholy alliance and lead to a dead-end. Both reject one of the main achievements of the 20th Century, namely the social State based on a market economy, a rationally designed, regulated capitalism. In so doing, these two diametrically opposed economic worldviews endanger the very project of modern freedom. One of the most significant economists of the 20th Century, John Maynard Keynes, got to the heart of this issue with the title of his book *The End of Laissez Faire* and its key finding:

“the decadent international but individualistic capitalism … is not a success. It is not intelligent. It is not beautiful. It is not just. It is not virtuous. And it doesn’t deliver the goods.”

The copyright on the notion of a modern society of freedom and a rational, social State belongs to Hegel. To demonstrate this requires a short, if by no means straightforward, tour round the infamous lumber room of philosophy. The so-called ‘Hegelian turn’ in philosophy is on the agenda here, because Hegel proves himself to be the thinker who until now has provided the most convincing foundation for freedom in modernity. Since Hegel, no other thinker has stepped forward who is in the same league as him.

**I. Civil Society as Modern Community of Market, Education and Solidarity**

The theoretical foundation and at the same time bone of contention of Hegel’s political thought is to be found in his concept of ethical life (*Sittlichkeit*),

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3 See Vieweg 2012.

in particular in his theory of civil society. In his philosophy of right, Hegel was “the first to conceptualise the separation of state and society.”

His overcoming of the traditional equation of civil society with State provides a significant contribution to a “proper theorization of modern political and social conditions,” the foundation for a modern theory of society and State.

With civil society, ethical life enters the sphere of particularity. An immediately ethical association in the form of the family is dissolved, the immediate unity experiences its first sublation (Aufhebung) – into a unity of reflection, a unity of understanding. The concrete individual person thereby wins the possibility of their particular self-determination, they exist “in independent freedom and are particular for themselves.” At the same time the concrete individual initially loses their ethical-communal determinations and enters the realm of contingency. At first, the concrete person is necessarily conscious of, and takes as their purpose, not the unity of the ethical but their own particularity. The immanent negativity of the ethical finds expression in its ‘diremption’, in its splitting into extremes. Observing this ‘loss of ethical life’, Hegel summed-up the key characteristic of civil society: it is “ethical life split into its extremes and lost.” In this ‘system of the atomistic’ the ethical substance mutates into a general relationship of independent extremes and particular interests.

Hegel sets out the idea of a modern world, an idea of freedom built on the notion of a modern state, an idea that underpins modern forms of life. In the notion of civil society we find a foundation stone for this theoretical construction. Two basic elements characterise civil society: a) the principle of particularity, the concrete person who has particular ends and who comprises particular needs, natural desires and impulses, and b) the principle of universality, the necessary relationship between particular persons. Each particular person may assert themselves only through the mediation of this universality. What distinguishes civil society from the State is that the former is shaped by the market principle, a system of all-round dependence, a community of need and understanding, while the latter is governed by structures which ‘sublate’ (aufheben) this market principle, by simultaneously respecting and overcoming the impulses and accidents of particular individuals.

The market system, Hegel tells us, cannot sufficiently regulate or control itself, it tends towards market fundamentalism; left to its own logic it tends,
in the last instance, to damage or even destroy itself. As in what Hegel calls ‘the understanding’, so it is in a state based on the understanding, the structures are “essentially unstable and tottering and the building they support must [without rational regulation] collapse with a crash.” The Hegelian State does not do away with the market. It respects the capitalist market order and grants it a role within prescribed limits. The State, however, must protect the market from its own immanent self-destructive power. Its task is to regulate this sphere, to provide it with a framework and to supervise it.

The Hegelian State has the duty to restore the ethical life that has been ‘lost in its extremes’ and thus to bring the understanding to reason. The State may not let itself be determined by market principles.

The three moments of civil society:

1. The Economic “System of Needs”
Mediation of needs and the satisfaction of the individual through his or her work and through the work and satisfaction of the needs of all others.
Mediation of needs and their satisfaction in a system of the needs of all.
Sphere of inequality.

2. Constitution of Law (administration of justice)
Realization of the universality of freedom and protection of rights.
Legal equality of persons.

3. Oversight and Regulation – social care and provision
Provision for residual contingencies in each system and the fulfilment of particular interests as a common good, basis of a social State, universal provision for the welfare of individuals and for the subsistence of rights, foundation for creating justice.

II. All-round Dependence in the ‘Community of Need and Understanding’

Individual persons are conscious of their own particularity and their being-for-themselves and take these as their own purpose – the ‘system of the atomistic’, in Hegel’s words. This is the principle of independent particularity, the ‘principle of the self-subsistent inherently infinite personality of the individual.” Here we find a defining feature of modernity: the right to particularity

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on the part of subjects, the right to subjective freedom. Only in the modern world, according to Hegel, do we find this form of life – civil society – intervening between family and State. The formation of civil society belongs exclusively to modern times. The particularity of the actor, their interests and goals, form an inescapable aspect of their freedom. This constitutive principle of civil society, namely the particularity of the individual and his or her relative and insufficient association with the community, represents an essential constituent of a free community and the core principle of modernity. The rejection of this principle, in whatever form of political or economic organization, implies the destruction of freedom. Thus Hegel cannot be read as a critic of such a civil society, which for him is the sine qua non of a free society, nor can he be read as a critic of modernity. On the contrary, Hegel has provided the decisive foundations for a philosophy of modernity, a philosophy of freedom.

However, another necessary constituent of modernity is the moment of particularity with its enormous potential for danger. Hegel’s approach provides a theoretical analysis of the threat civil society poses to itself and its rational sublation in the State. Civil society as a system of torn ethical life must therefore preoccupy us here. The concrete person as a sum of interests and needs has only himself or herself for his or her purpose, but he or she exists in mutual relations to other particulars, in a community of concrete persons, and in this way particulars are supposed to be equal. They are not, however. On one side we find the selfish goal of obtaining subsistence, while on the other we find that our rights, welfare and subsistence are bound up with the rights, welfare and subsistence of all. The private person aims to satisfy their own merely particularistic needs and inclinations, but needs the other private person. They depend on each other, they have need of each other, they stand in a relation of external necessity to one another, they exist in a situation of ‘need as accidental necessity’.

When Hegel talks of a State based on ‘understanding’ (Verstand) he is referring to its logical status, to its formal universality, its understanding-universality, to a unity that establishes understanding. The ‘understanding’ is here a deficient form in which universality appears.

Particularity has the right to give itself universal existence, to develop itself in an all-rounded way, to realize itself. All human possibilities can be developed, including all the accidents and inequalities of birth or of fortune. On the other side we have an inescapable context in the form of a community of mutual dependence.

The unlimited satisfaction of desires, impulses and subjective pleasures is, Hegel tells us, an infinite process, a bad infinity, one which encapsulates the logical problem of the understanding itself: desire, impulse, opinion and need
are all *boundless*. Civil society cannot, on its own, define any rational measure or bounds; it suffers in many ways from *boundlessness*. A striking indication of this is to be seen in the permanent instability and crisis-ridden nature of the industrial market economy, which is accompanied by a ubiquitous myth of stability and self-healing. The actual cause of boundlessness is the very human *particularity* which is a defining principle a modernity. Satisfying the needs of the particular person within a system of all-sided dependence and arbitrariness is itself *accidental*; it presents itself to the individual as the work of a mysterious, hidden power, as fate, as a lottery with happy or disastrous results. In this necessary feature of civil society the *arbitrariness* of its satisfaction of human needs comes strikingly to light: our needs may successfully be satisfied or they may not. The particular can be identical with the universal, or it may diverge from it. Putative freedom may turn into fatalism, into faith in an external necessity and civil society come to resemble an aggregate of necessities.

Individual parts of this giant machinery and indeed the entire machine itself may break down and so hinder or prevent the realisation of needs. The continual possibility of economic crises is for Hegel an essential feature of the capitalist economy. Civil society thus involves the setting-free of particularity, it appears as a “battlefield of the private interests of each against all,” as a ‘theatre of debauchery and misery’.

Concrete persons can raise themselves only to *formal freedom* and to a *formal universality of knowledge and willing*, they can educate themselves only in the sense of reflection and understanding. Education nevertheless gains an infinite value: in its “absolute determination” it is the only way to freedom. The education or formation (*Bildung*) of the concrete person thus presents a fundamental milestone on the road to freedom – *only the educated and thus self-determining free citizen* (*Bürger*) can guarantee the survival of a free community. Modern civil society must therefore be not only market- and welfare-based but also grounded in *education*.

**III. Political Economy and the Regulated Market**

For Adam Smith the functioning of the market was guaranteed by a mysterious power, *the invisible hand*, a process in which the egoistic and often conflicting interests of individual economic actors converge in a stable and self-regulating economic system. Out of the chaos of countless individual decisions arises order.¹⁴

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¹³ Hegel 1983: § 289.
¹⁴ Mihm/ Roubini 2010: 61.
From this theory derives market fundamentalism, the myth of a self-balancing, self-repairing, efficient market – “the conviction that free markets themselves generate economic wealth and growth” or “that markets regulate themselves and that the self-interested behavior of market participants guarantee markets’ proper functioning.”

Hegel respects the market as the basis of modern economies, but he finds in it no self-regulating structure. On the contrary, the market involves a sphere of the arbitrary and accidental, a context which requires rational organization (by the State) and which cannot function properly on its own. Hegel points to the crisis-prone character of market mechanisms and explains their causes. According to Roubini, it is clear that “capitalism is anything but a frictionless, purring, self-regulating framework. On the contrary it is an extremely unstable system.”

Contrary to delusions that have become widespread in recent decades, delusions about the stability and rationality of markets and contrary to the evangelism of deregulation, privatization and liberalization, the market structure proves to be highly fragile, precarious, risk-laden and crisis-prone.

Hegel’s proposed solution and the set of conceptual tools he employs to this end prove (and he is confirmed in his solutions by present-day economic theory) a major contribution to our understanding of world economic conditions. The keywords here are: regulation instead of deregulation, oversight instead of arbitrariness and chaos, legal frameworks instead of ‘voluntary’ self-regulation, natural and social sustainability instead of market fundamentalism, rational international organisation of markets instead of exploitation of the Earth and the impoverishment of billions. These are the general outlines of a concept of a regulated market constitution, a rational and socially-organized capitalism. In any event the ideology of deregulation, with its disastrous results, needs to be abandoned. A modern market only functions at all with the aid of elaborate regulative institutions. With Hegel one can say that the idea of the market needs to be protected from the market fundamentalists, whose gospel leads directly to the collapse of market structures themselves.

IV. Regulation and Social Organization

The relative unity of the principles of particularity and universality is achieved in various institutions of order and regulation. Relevant here too are forms of ‘public welfare’ and organizations based on diverse professions, interests and

15 Stiglitz 2010: 11.
16 See Stiglitz 2010: 10 f.
17 Mihm/Roubini 2010: 66.
locations. Society is under obligation not only to respect the formal rights of particular subjects but also to help realize those subjects’ right to welfare. Civil society as an assembly of free persons has to be not only a market economy but a community based on solidarity, not only an economy based on individual performance but also a community based on welfare, an alliance of the solitary and the solidary. Only in this synthesis can it prosper, i.e. only thus can it constitute a community of free beings, and guarantee their freedom. A meaningful functioning of civil society implies the solidary-social. Here we already find the foundations of Hegel’s theory of a social State, which stands in direct opposition to the views of market fundamentalists, for whom talk of social justice is a heresy and for whom giving the State a welfare function would destroy the market.

Central to Hegel’s theory are the ideas of oversight, of regulation and of social help. These, it should be emphasized, are functional conditions of modern societies, they are constitutively entwined, essential categorial elements of Hegel’s theory of modernity. Until now, however, Hegel’s significant contribution to this field has been either forgotten or neglected. But precisely here we find one of the major achievements of his practical philosophy: the conceptualizing of a regulated and socially-organized modern community, the foundation for a constitutional and social State based on a market system. Hegel insists on the unity of rights and well-being and pushes the idea that we address not merely formal rights but that rights must have a content – this content is the common good of all members of civil society. The subsistence and well-being of every individual emerged at the level of the System of Needs only as a possibility, whose realization was dependent upon natural particularities and accidental conditions. But the accidents which derail the goal of well-being must be overcome, the particular well-being must be treated as a right for all and be realized.

V. Oversight and External Regulation

A first dimension of oversight comprises legal oversight and intervention in the form of a guarantee of security along with a certain control and management of collective public action, for instance commercial or market activity. It involves “general institutions […], which must have a public power,” and they must have this public power precisely because the entire set of market relations and mediations cannot be viewed and controlled by individuals alone.

These interventions, which must be relevant and reasonable, relate firstly to the testing and approval of products for technical or health usage; they are

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undertaken by health authorities, building planning offices, bodies responsible for technical safety, food safety, consumer protection, etc. Secondly, intervention aimed at the rules of the market – involving oversight of all areas of buying and selling such as the industrial market, banking and exchange. In both cases, the intervention is about stipulating sensible procedures and preventing cases of serious violation or injustice. The health care system and the design of infrastructure also come under this heading.

The tasks performed by such public bodies, which we often take for granted, show that internal oversight on the part of the market is insufficient and that legitimation and regulation by the state, oversight by a higher public authority, is indispensable. Matters essential to the survival and flourishing of a community, such as health, environmental protection and infrastructure, must be preserved from the influence of the market principle, an idea that contrasts starkly with the current mania for privatization. The right to a share of the common wealth must be guaranteed to all individuals, each concrete person has the right to join in civil society, and every exclusion from civil society and the common wealth should be considered a crime.

VI. Social Care and Forethought – Foundations of Hegel’s Conception of a Social State

In thinking about our relationship with nature Hegel developed the ideas of concern (Sorge) and forethought (Vorsorge), in the sense of natural sustainability; now we move on to the terrain of social concern and care, of social sustainability. A brief example can be given here, namely the three forms of social help and the interaction between them: subjective help as a first form arises out of individually felt moral duties, benevolence, beneficence, charity, individual solidarity as the moral duty to assist in times of need. A second form of social help is charitable or non-governmental help where individuals come together in a type of mutual aid and solidarity, a sphere of civic charitable engagement. The word ‘charitable’ (gemeinnützig) is used here very much in Hegel’s sense – it is about universal usage, one harnesses the universal, and thereby serves the general good or the common wealth. This form of help does not fall under the aegis of the market principles, but neither is it a form of State aid. Nevertheless, while extremely important and not to be underestimated, such subjective forms of help remain random and accidental; there is no guarantee of them lasting and so sufficient guarantees for the well-being of those affected are lacking. Help remains here a contingent principle, and may fail.

For this reason, individuals in need also have a right to universal, public help, from which arises a whole set of aid and welfare institutions, and which go beyond the capabilities of civil society (for example social welfare organizations, child and youth welfare organizations, bodies which care for the
elderly and disabled – these are all forms of public-governmental solidarity). Today one also finds particular combinations of subjective and public help, sustained by engagement from their participants and by charities, themselves supported by public, governmental institutions. What is decisive for the governance and resourcing of social help is, for Hegel, the instrument of taxation and the tax system, particularly the model of a progressive income tax, whereby portion of one’s income, relative to one’s wealth, goes into the collective pot, allowing collective obligations to be fairly met. All the above-mentioned types of social help form the cornerstone of a social State, the most decisive condition for a functioning market order in a modern society – “the well-designed welfare state,” as Stiglitz puts it, supports “an innovative society,” the sine qua non of freedom in the modern age.

The State, the political, then manifests itself as the ‘true ground’ of civil society, as the presupposition of its subsistence. This notion stands diametrically opposed to the thesis of Marx concerning civil society as the basis upon which the superstructure of the State rests. It is also in stark contrast to the economistic credo of the market fundamentalist Chicago Boys. It stands opposed to both the omnipotent fantasies of Wall Street and the deregulated capitalism of the great People’s Republic, that is, against concepts which threaten the foundational principle of modernity – individual freedom. Nor can Hegel be denounced as someone who would limit individual freedom, let alone viewed as a precursor of totalitarianism.

The idea of the State as a community of free citizens, of free citizenship, stands at the centre of Hegel’s practical philosophy, at the centre of his thinking of freedom. But without the unfolding of the particular concrete person – with all their contradictions, especially the contradiction between their potential for innovation and that for destruction, and the conflict between progress and insecurity – the idea of a free community cannot be adequately established or grounded. The protagonists of market radicalism celebrate the market as the holy grail of freedom, but clearly the market is a nexus of the arbitrary and accidental, a ‘swarm of caprice’, most spectacularly embodied in the stock market on Wall Street. Thus arbitrariness and randomness are (inadvertently or deliberately) confused with freedom and one remains stuck at the level of the Understanding, of a deficient universal. Meanwhile, against the backdrop of the vast series of ‘capital offences’ recently committed in the financial system, the neoliberals with their promise of self-regulating markets have some explaining to do.

At least since the time of Hegel one could understand that the market, while forming one essential pillar of a free community, cannot alone – precisely due

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20 Stiglitz 2010: 256.
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to its determinacy – generate rational structures, and so must be rationally organized, that it requires appropriate regulatory frameworks. The market-radical mantra that “regulation kills innovation” has now lost its attraction.  

The market is to be neither demonized nor glorified. Although it is an important enabling condition of freedom, one can in no way describe the market itself as ‘free’. Both the deregulated capitalism of Wall Street and the bureaucratic-socialist People’s Republic (or an explosive mixture of the two) endanger and undermine the principle of the freedom of all particular individuals that has shaped modernity. The current shipwreck of deregulated capitalism doesn’t mean the foundering of our journey towards a free society. Nevertheless the deficiencies and unsustainability of both models – socialist collective ownership and market fundamentalism – exhibit two contradictory claims to a share of the wealth of nations.

To take up Hegel’s project is, at core, to aim at a new conception of an environmentally and socially sustainable and just society, and a corresponding world order. It is to further Hegel’s philosophy of freedom. Now is the time for such a fundamental transformation in thinking, now is the time for the Hegelian turn in philosophy.

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21 Stiglitz 2010: 40.
Klaus Fiveg

Kraj kapitalizma i njegova budućnost: Hegel kao osnivač pojma države blagostanja

Apstrakt

Ključni deo Hegelove praktične filozofije je njegova teorija gradanskog društva i ideja racionalne regulacije tržišta. To je temelj Hegelove teorije socijalne države i ideja racionalne regulacije tržišta u modernom društvu. Hegel je idejni tvorac modernog društva slobode i racionalne, socijalne države. Pokazalo se da je Hegel mislioc koji je do sad na najuverljiviji način postavio temelj slobodi u modernom dobu.

Teorijski temelj i istovremeno sporono mesto Hegelove političke misli se može pronaći u njegovom pojmu etičkog života (Sittlichkeit), posebno u njegovoj teoriji gradanskog društva. Trenutni brodolom deregulisanog kapitalizma ne označava potapanje našeg puta ka slobodnom društvu. Bez obzira, nedostaci i neodrživost oba tradicionalna modela – socijalističkog kolektivnog vlasništva i tržišnog fundamentalizma – izražavaju dva protivrečna zahteva za raspodelom bogatstva nacija. Nastaviti Hegelov projekt je, u suštini, težnja ka novoj ideji ekološki i socijalno održivog i pravednog društva, kao i odgovarajućeg svetskog poretka. To znači unaprediti Hegelovu filozofiju slobode.

Ključne reči: socijalna država, moderno društvo, sloboda, Hegelova praktična filozofija, regulacija tržišta