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Hegel on Market Laws and External Teleology

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Abstract

By highlighting the logico-metaphysical undergirding of Hegel's discussion of the market, this article brings to light certain proto-Marxist or proto-socialist tendencies in Hegel as well as key disagreements with Adam Smith, which have been missed by recent studies like Herzog's *Inventing the Market* (2013). For Smith, market laws function like an impartial arbiter that rewards honest effort; his main worry is that individuals may fail to display virtues like honesty, probity and frugality, thereby hindering the smooth functioning of the market mechanism. For Hegel, by contrast, the market is a de-personalized player in its own right that imposes its arbitrary rule, a rule that does not reflect in any way the virtues and efforts of market participants. This assessment is easily overlooked, unless one realizes that Hegel believes the market to be functioning according to the structures that he discusses in the 'Objectivity' section in his *Science of Logic*. As a consequence of this assessment Hegel attributes a different role to the state than Smith does: Rather than aiding and shaping individuals, by means of institutions, education and health care, the state needs to address the structural functioning of market laws and, to some extent, inhibit its free-flowing functioning. Individuals need to re-appropriate their own social relations by organizing them along the lines of the logical organism or internal teleology. After outlining Hegel's interpretation and assessment of the market structures with the help of the *Logic*, I will discuss Hegel's demand for an organic state, that sublates and oversees the market, thereby safeguarding the important personal freedoms enjoyed by market participants.

While Hegel's logical metaphysics and his discussion of the market have both received scholarly attention, an analysis of the precise logical undergirding of Hegel's economic discussion is still lacking. This article seeks to address this gap in the existing research and bring to light certain proto-Marxist or proto-socialist tendencies in Hegel as well as some disagreements with Adam Smith, which have been missed by otherwise excellent recent studies like Ruda's *Hegel's Rabble* (2011) and Herzog's *Inventing the Market* (2013).

For Smith, as Herzog shows, ‘in markets the free decisions by a large number of individuals result in patterns that resemble the judgments of an impartial spectator’ (2013: 89) and reward virtues like honesty, frugality, probity, industry and punctuality, thus giving individuals what they deserve (2013: 88; see also Herzog 2011). And while she admits that for Hegel the market ‘creates problems’, rather than being a ‘problem-solver’ (2013: 60), Herzog focuses on individuals and their behaviour when describing these problems. She summarizes the gist of Hegel’s critique of the market by saying: ‘with individuals’ interests given free rein, “accidental caprices and subjective desires” put people at risk, and make the satisfaction of their needs a matter of luck’ (2013: 55). She later concludes that both Hegel and Smith criticize ‘mindless consumerism’, arguing that ‘individuals should not greedily maximize profits at the cost of other values’ (2013: 130). But ‘Hegel does not show any interest in the free play of market prices as the mechanism in which the “dialectical movement”—Smith’s “invisible hand”—actually works’ (2015: 149).

I agree with Herzog’s claim that the market is a boon and a bane for Hegel. However, in my view, Hegel’s main criticism of markets is a structural one. His critique does not primarily concern the attitudes or behaviour of individuals within the market, but the way market laws function and hence, at least implicitly, Smith’s invisible hand. Hegel anticipates Marx in so far as he believes that, in the market, the social relations of individuals are alien to them and rule over them in an arbitrary and inescapable fashion. This is the central structural market problem for Hegel. This point is easily missed unless one notices that Hegel takes the market to function according to the logical structures of objectivity, teleology in particular, as discussed in his *Science of Logic*. Nathan Ross (2015) has pointed out that Hegel interprets market relations by means of the logical structure of the ‘mere mechanism’, which is the first part of ‘Objectivity’. I partly agree. However, I will show that teleology is even more pertinent. And rather than teleology applying to the individual, who wants to realize her aims, as Ross suggests (2015: 166), the logical structure of teleology is at work in the price mechanism or Smith’s invisible hand—a hand that seems to realize *its* aim, which is alien to those of market participants.¹ This is the core of Hegel’s critique, as I will show.

To be very clear: Hegel is not claiming that human beings are objects, incapable of thought, freedom and self-expression. Nor does he say that freedom is absent from the market. Hegel had already shown, in the chapter on ‘Abstract Right’, how property owners can arbitrarily define and redefine themselves (see Baumann 2018a), and consumers certainly actualize this freedom in the market. And there are other important market freedoms, such as professional self-expression, and group and interest formation. However, when analysing the market, Hegel’s central point is that within the market, the arbitrary acts of human beings create and maintain structures, within which they are governed by ‘violent’, external, and calculable laws that operate according to the logic Hegel describes within ‘Objectivity’.

While I will defend this thesis in the main text, it will be helpful to point to a broader background thesis before going further into the details of Hegel's discussion. On my reading, Hegel develops a structural metaphysics of freedom in his *Science of Logic* (see Baumann 2012). In making this claim, I follow Horstmann (1984, 2006), Iber (1990, 2000) and others in reading Hegel's *Logic* as a pre-Kantian and structural metaphysics. As Iber puts it, 'reality, be it spiritual or natural reality, is essentially structured by relations of form (Formverhältnisse), which are in turn graspable according to the formalities of our thought structures' (2000: 15). For Hegel, everything in the world is characterized by its structure and a structure consists in the specific interrelation of the internal elements of something as well as its relation to its surroundings. The world is thus structural for Hegel. This includes material, mind-independent reality such as the relation of organs or planets to one another, the internal structuring of a plant, or the mechanisms and cycles according to which animal species procreate. Hegel furthermore assumes that there is only a limited number of structures or constellations according to which entities can coexist, and he believes that he has discussed all possible constellations in the *Science of Logic*, from the simplest and most incoherent to the most complex ones. The *Logic* is, hence, a metaphysics in the sense of an analysis of the basic structuring principles or types of structures that underlie all things, persons, relations and phenomena. Hegel's metaphysics is pre-Kantian, as it analyses the underlying nature of the mind-independent, material world (as well as social relations), just as Spinoza and Leibniz did. However, unlike Spinoza or Leibniz, Hegel assumes that the underlying basis of the world is not to be found in substances, but rather structures that together form a single system. Horstmann (1984: 36, 104) calls this a 'relation-ontological monism', as opposed to the 'substance-monism' of Spinoza and Leibniz.

To this picture I have added the notion that the constellations discussed in the *Logic* ought to be understood in terms of Hegel's formula 'being with oneself in the other', and hence in terms of the degree of freedom something or someone enjoys with regard to his or her surroundings. Henrich (1976), Günther (1987), Flach (1995) and implicitly also Horstmann (2006) have noted that the entire *Logic* discusses successively improving versions of a basic triadic relation, whereupon one entity stands in relation to another as well as to the whole or the totality of their interrelation.² I have made the link to Hegel's famous definition of freedom as 'being with oneself in the other' or a 'return into' oneself through the other (PR: §§22, 23).³ I have shown elsewhere (Baumann 2012) the exact forms of 'being with oneself in the other' Hegel introduces in his *Logic*. And I have suggested that natural objects enjoy a certain form of freedom for Hegel, in so far as they determine and maintain their own properties or develop their own structures, for example.

For the present context, this can only serve as a background hypothesis, the main implications of which are socio-philosophical. The background hypothesis suggests the following: Hegel's notion of freedom as 'being with oneself in the other' should be taken to mean that human beings are free for Hegel depending on: (a) the way they, i.e. their personalities, choices, wills, thoughts and needs are affirmed and supported by others; and (b) the way the social structure works to their benefit or disadvantage and is expressive of their wills. Hegel's social philosophy is not only concerned with the relations of individuals (as in mutual recognition, for example), but also with their relations to the social structures within which they interact. Hegel understands these structures as functioning by means of the structuring principles he analysed in the abstract in his *Science of Logic*. More precisely, I assume that each sphere of interaction described in his *Philosophy of Right* functions according to one or several types of structuring that Hegel discusses in the *Logic*—and hence actualizes one way that freedom (and, indeed, unfreedom) can be actualized. (I have made this point with regard to 'Abstract Right' in Baumann 2018a.)

In the present article I will show that Hegel takes the market to function according to the types of structures he discusses in 'Objectivity', which is the middle section of the Logic of the Concept. 'Objectivity' is subdivided into mechanics, chemistry, and teleology, and while the discussion is inspired by natural science, the structure Hegel expounds is much more general⁴ and not limited to this realm: Objectivity is a structure within which objects or entities (a) appear to be independent and self-standing, (b) contain an internal complexity of aspects or elements, and (c) are linked by some force, rule or 'objective laws [...] that admit no caprice and no treatment that might overthrow their necessity' (*WL* 2: 408/709).⁵ Objective laws function by selecting certain qualities of objects (like their weight, speed, surface) and connecting objects together on that basis. Hegel discusses this phenomenon under the header 'mechanism, chemism, and teleology'. This way of connecting entities contrasts with the organism Hegel discusses subsequently, where each organ, as well as the living, organic being as a whole, seeks to connect with other specific entities that support its self-actualization.

The market economy is a particularly interesting phenomenon in the context of freedom and social structures. It was commonplace for classical political economists to assume that economic laws connect individuals within the market and that these laws have a logic of their own, which does not reflect the intentions of market participants. Hegel famously picks up on such notions by saying market participants are 'mediated through the others and thus at the same time through the form of universality' (*PR*: §182). But the fact that market laws 'mediate' market interactions for Hegel does not imply that he sees market laws as an impartial mediator, as does Adam Smith. Mediation, or 'Vermittlung' in German, is a broad term, which indicates that two entities or persons (here: market participants) do not

interact directly. Rather, there is something else, in the middle ('Mitte') of them, which shapes their interaction and which they do not control. The term 'Vermittlung' does not indicate whether this mediator impartially rewards participants' efforts or contorts their relation, even to the extent that they end up being under its arbitrary rule. By drawing on Hegel's logical discussion, I will show that, rather than seeing market laws as a neutral sphere or impartial arbiter, Hegel considers the market as a de-personalized player in its own right. That is to say: the functioning of market laws is akin to the arbitrary, uncontrolled and extensive rule of a tyrant, thus behaving *as if* the market had its own interest and will.

For Hegel, the market is characterized by a profound contradiction: The market enables important personal freedoms like consumer and professional choices and group formation.⁶ However, these freedoms coexist with and are conditioned by market laws, which both threaten those freedoms (by suddenly and arbitrarily excluding groups from the market) and are neither determined by nor responsive to individuals' decisions, wishes and needs. Market participants are not 'with themselves', do not find their wills, interests, decisions and needs affirmed in market dynamics. This is why the market requires systematic state interventions that 'sublate' or embed market structures, thereby ensuring that individuals can continue to enjoy their market freedoms and collectively further the interests they have developed as producers and market participants, which would otherwise be at the mercy of the vagaries of the market.

My argument will unfold in the following steps: (I) I will show that Hegel interprets market relations as functioning according to the logical structures he discusses in 'Objectivity'. (II) I will specify, with the help of the logical discussion, how exactly market laws function for Hegel and how he assesses their functioning. (III) Lastly, I will show that it is hence fitting for Hegel to demand an organic state and strict oversight as the only effective means by which to safeguard the important personal freedoms enjoyed by market participants.

I. The logical structure of market relations

Hegel discusses the system of needs, i.e. the market, under the heading of 'Civil Society', where he also analyses the judicial system, the police and corporations. The fundamental structure of relations, which characterize civil society, however, are described in the 'system of needs', which is why the following definition of civil society ought to be understood as a characterization of market relations:

The concrete person, who is a particular end to herself and a totality of needs and a mixture of natural necessity and arbitrariness, is one principle of civil society. But this particular person

stands essentially in relation to other such particulars, and their relation is such that each asserts herself and gains satisfaction only mediated through the others and thus at the same time through the form of universality, which is the second principle. (PR: §182, translation amended)

Hegel speaks of two principles here, but it would be more precise to speak of two contradicting principles or aspects. This becomes clear when noting that Hegel detects in the market the logical structure of objectivity. He describes the logical condition of objects as follows: '[T]he object is the complete contradiction of the complete independence of the manifold and of their equally complete dependence' (*E* 1: §194). I hence want to suggest that market participants display the form of logical objects, and this means, as a first approximation, that market participants are independent in a manner that causes their total dependence, which takes the form of a universal or law ruling over them.

The first defining element of things or indeed persons considered as objects is their independence, and what Hegel calls their 'external' relation to each other. Hegel speaks of 'complete and self-subsistent objects, which consequently even in their relation confront each other as self-subsistent and hence remain external to each other in any link they may establish' (*WL* 2: 409/711, translation amended). Hegel describes the economic agent as an 'independent concrete person, who is a particular end to herself' (PR: §182, §238); 'independent concrete persons [...] relate only externally to one another' (PR: §181). What does it mean to be independent and relate externally to someone or something else? In the *Logic*, Hegel specifies that objects are independent, first, in the sense of concrete entities that contain all aspects that determine them—i.e. weight, volume, consistency (*WL* 2: 410f./712). Market agents are also 'concrete' and internally complex, containing all aspects that (seem to) define them, namely, 'a totality of needs and a mixture of natural necessity and arbitrariness' (PR: §182).

Second, objects are independent, because they are 'free from anything added in subjective reflection' (*WL* 2: 408/709); they have their properties independently of whether any subject knows that they do so or defines them with the help of those qualities. Market participants, for their part, (seem to) have their economic qualities described above independently of whether some higher subject, say the state, affirms it or not. (This contrasts with rights, which human beings can effectively only have in so far as a state affirms their having those rights.)

Third, and most importantly, Hegel defines a logical object as a self-enclosed, self-related entity, 'the immediate relation to itself' (*WL* 2: 408/710). Something that is self-related refers to and depends on only itself and is, hence, in this respect self-sufficient. Objects relate 'externally' to one another, in the sense that they do not (seem to) require other objects in order to have their qualities or to be what

they are. Hegel refers to Leibniz's monads as an example: 'nothing enters into the monad from without' (*E* 1: §194).

In the quoted passage, Hegel says that the market participant is an 'independent concrete person, who is a particular end to herself' (*PR*: §182, §238), i.e. she only cares about herself. The 'end' or aim of the market participant or consumer is only herself, her own wellbeing. When entering the market, her motivation does not include the wellbeing of others in any way (except, perhaps, the wellbeing of her own family, for whom she is trying to acquire goods); her choices are partly arbitrary and partly predetermined by her given needs (natural and otherwise). This self-relatedness or the fact that each consumer or buyer only takes an interest in herself (and her family) by definition implies that their relation to others is 'external' (*PR*: §181) in the above specified logical sense: Market participants or consumers do not consider others as part of who they are or what they want; and they go to the market, buy and sell without caring about who the other party to the sale or purchase is, or what their motivations might be. The two (or many) market participants act toward one another as if they were billiard balls on the same table. Each billiard ball is complete and self-standing, not needing any other ball to exist; the fact that they hit each other is a complete coincidence and not determined or sought by the billiard balls themselves. As is the case with the billiard balls on the table, the other persons just happen to be in the marketplace too; one person bumps into the others without any intention of meeting someone specific, without differentiating between one person and another or personally controlling, planning or shaping their interaction in any way.

To sum up: the first 'principle' or element of market relations Hegel mentions refers to the fact that market participants only care about themselves and, hence, do not actively seek, establish or shape any specific connection with any other market participant in particular.

The second principle or element of market relations, and indeed of the structure of objectivity, is the total 'dependence' on and 'mediation' by objective laws. A market participant 'essentially stands in relation to others' (*PR*: §182) and 'is mediated through the others and thus at the same time through the form of universality' (*PR*: §182). In other passages, Hegel claims that economic agents are part of '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 substance, welfare and rights of all others' (*PR*: §183).

With regard to mechanical objects, Hegel writes that they only 'appear immediately self-subsistent' (*WL* 2: 427/725). However, he goes on to say, 'for that very reason [i.e. because they appear to be self-subsistent] they are in truth not self-subsistent and have their centre outside of themselves' (*WL* 2: 427/725). In truth, objects are 'completely dependent' (*E* 1: §194) and determined from 'outside of themselves' (*WL* 2: 427/725). Hegel first calls this something that determines

objects from without a ‘power’, a ‘universal that is transmitted’ (*WL* 2: 420/720)—heat or movement, for example. He then describes it as a ‘rule’ and ultimately a ‘law’ (*WL* 2: 427/725).

So, how exactly does this law function? And how is it possible that independent entities or persons are also completely dependent? What is Hegel’s assessment of this dependency that functions by means of an objective law? In the *Philosophy of Right*, he says very little about this. In fact, he only obliquely identifies the law or universal that mediates market participants:

But this proliferation of arbitrariness generates universal determinations from within itself, and this apparently scattered and thoughtless activity is subject to a necessity which arises of its own accord. To discover the necessity at work here is the object [*Gegenstand*] of political economy, because it finds the laws underlying the mass of contingent occurrences. (*PR*: §189A)

This description is clearly attuned to the most famous and important of economic laws, which Adam Smith called the ‘price mechanism’. This law states that through millions of unconnected acts of buying and selling of the same commodity, one (average) price for this commodity is established on the market, a price that in turn determines who can sell or buy and where new investments are made. The uncoordinated acts of exchange thus entail a form of regularity, namely, one price for each commodity, that regulates buying, selling, and investment, as if there had been some ‘invisible hand’ ordering things. Hegel says that ‘all dispositions, all accidentality of birth and of luck liberate themselves, where the waves of all passions emanate, which are governed by reason that shines into them’ (*PR*: §182A).

As Henderson and Davis (1991) convincingly show, Hegel was influenced by Adam Smith, and the invisible hand underlies Hegel’s conception of the ‘cunning of reason’ as well as civil society in the *Philosophy of Right*. Hegel discusses the ‘cunning of reason’ in its basic structure in the ‘Teleology’ section of the *Science of Logic*. ‘Reason is *cunning* as it is *mighty*. [...] God lets people, who have their particular passions and interests, do as they please, and what results is the accomplishment of *His* intentions’ (*E* 1: §209A, translation amended). In another passage, Hegel speaks of the ‘cunning of reason’ that ‘posits itself in a mediate relation with the object and interposes another object between itself and it’ (*WL* 2: 452/746). External teleology, as discussed in the *Science of Logic*, means that in the seemingly accidental encounters of unconnected and independent entities, a law or regularity manifests itself, which is attributed to some kind of intellect, which is taken to realize its ‘end’ or aim by means of the entities’ interrelations.

II. Hegel's assessment of market laws as a violent and external imposition

Since the cunning of reason is only a (rather vague) metaphor, one will have to consult Hegel's *Logic* in greater depth to discover how exactly market laws do what they do for Hegel and what he finds problematic about them. Hegel uses different terms to illustrate what is wrong with objective laws, particularly those of external teleology. The first and most prominent description of the laws of objectivity concerns their alienness and violence:

The violence exercised on the object is something alien for it. What turns the power into violence is this, that though the power, as an objective universality, is identical to the nature of the object, its determinateness or negativity is not its own negative reflection into itself (*WL* 2: 420/720).

Objective laws are nothing but the regularities by which objects affect one another according to their specific properties. And yet, the objective laws happen as something alien, as an act of 'violence' to the objects. The notion of 'violence' here is meant to denote the fact that the power or law is an irresistible and external imposition on the object. The power is not the object's 'negative reflection into itself' (*WL* 2: 420/720); this is a technical expression that stems from the *Logic of Essence*. 'Reflection into oneself' refers to a self-relation, and 'negative' means that this self-relation involves difference. Hence, Hegel is saying that the object is not free, self-related or 'with itself in the other' when relating to the law. As Hegel writes in another passage: 'The object is not reflected into itself in the power, and the power is not the object's own self-relation' (*WL* 2: 421/720). The object is not free; it is not a participant and does not express or strengthen its particular character when it is linked to another object by means of the laws. When discussing external teleology, Hegel says that the effect the end has on the means or objects 'may be regarded as violence insofar as the end appears to be of quite another nature than the object' (*WL* 2: 452/746).

Hegel explains in the *Logic* that the links between objects take the form of a violent and alien law, because the object is only an 'aggregate' (*WL* 2: 411/712), and its determinations, or aspects, are 'indifferent against one another' (*WL* 2: 412/713). The object does not have an internal structure, and hence a structured identity, on the basis of which it could seek to connect with or be linked to other objects. Let us take Newtonian mechanics as an example: The contact between two mechanical objects, of course, reflects their relative weight and speed. But the fact that they come into contact, as well as the particular object with which they interact, is completely accidental, i.e. it says nothing about the object. In contrast, for example, to a bee that seeks out flowers or an organ that feeds into another

organ, the contact between two objects of (Newtonian) mechanics is not guided by the objects themselves and any particular affinity they have with one another; rather, any object in the world falls (among other things) under the laws of mechanics. One cannot differentiate between the other objects to which this or that object can and cannot relate by means of the laws of mechanics. Individuals as market participants also have an aggregate of unstructured (and often conflicting) interests, as consumers, producers, workers, bread-earners and family members, investors, future pensioners, owners of property and money. And they do not establish specific links to specific other market participants. Hegel repeatedly states that the particularity of the object (what distinguishes one object from another) is ‘extinguished’ (*WL* 2: 421/720) and market relations abstract from the specific circumstances, needs, and desires of particular persons.

In both the *Logic* and the *Philosophy of Right*, Hegel expands on this notion of an unexpressed or hidden particularity of objects by using the term ‘blindness’. The laws of objectivity, as well as market laws, are ‘blind’ to the particular character of each object; they apply to all objects equally. Hegel speaks of ‘blind destiny’ (*WL* 2: 421/720), ‘external’ or ‘blind necessity’ (*E* 3: §532; *WL* 2: 440/736), which is ‘contingent’ (*PR*: §185, *WL* 2: 440/736) to objects and individuals—i.e. it is not influenced by them. Economic laws function like the objective laws discussed in the ‘Objectivity’ section: They subsume all market participants under the same general rules, and they do so by using market participants’ very own characteristics, such as preferences, needs, and desires. Nevertheless, the prices express neither the interests, intentions, nor needs of any or all economic agents; and they change continually, thereby defining which sales can and cannot take place. Mechanical, chemical, and teleological laws are universally valid, predictable, and calculable, precisely because the objects do not have any resistance to the application of such laws (see Pierini 2006: 98).

Market laws thus function like the laws of logical objectivity, particularly those of external teleology, since external teleology refers to an external imposition on or ordering of objects. The end has the ‘form of a presupposition’ and displays an ‘objective indifference’ against the objects it affects (*WL* 2: 447/742). ‘The end is finite because [...] it has its external condition in a pre-given object as the material for its realization’ (*E* 1: §205). When one thinks of external teleology, for example in terms of God’s will realizing itself in the world, one presupposes God’s will (i.e. the end) and one presupposes the world (i.e. the given means or object on which the end works). The end or aim does not emerge from the objects, and it is not an expression of them in any way. Furthermore, the exact objects that God’s will uses for His ends are entirely accidental. Hence, Hegel writes: ‘it was inevitable that the relation of the end to the objects should so often appear trifling, since it appears to be so external and therefore contingent’ (*WL* 2: 440/736). Teleology, or more precisely external teleology, appears ‘trifling’, and hard to

take seriously, since one is simply claiming that the necessary laws that rule objects from without are actually an expression of ‘freedom’ (*WL* 2: 437/734)—not that of the objects’ freedom, but that of a free intellect or rationality that rules over the objects.

This account of teleology helps to capture the precise type of rationality that Smith’s invisible hand has for Hegel. Leaving aside for the moment that Hegel sometimes speaks of a ‘shining’ of reason or ‘seeming of rationality’ (*PR*: §189), it is clear that he links the market mechanism to the understanding in key passages: Hegel famously calls the market ‘a state of necessity or state of the understanding’ (*PR*: §183); and he says that Smith and Ricardo find the ‘simple principles of the thing, the understanding effective in the thing and directing it’ (*PR*: §189). In the *Logic*, Hegel says about external teleology: ‘Now purposiveness shows itself to be higher in general [than mechanism and chemistry] as an understanding that externally determines the multiplicity of objects’ (*WL* 2: 439/736).

The notions of ‘reason’ and ‘the understanding’ often refer to types of subjective thought, which Hegel discusses as part of subjective spirit in his system. However, both terms can also refer to objective structures or the way the world is organized. An order that functions like the understanding ‘externally determines’ given entities, labelling them, imposing links and differentiations from without. This external determining does not mean that there is a super-subject imposing its will, which is a silly or ‘trifling’ notion for Hegel. Rather, the categories or aspects that matter for the law are not reflective of the character and particular affinities of objects. You could say, objects are ‘labelled’, rather than rendered by objective laws. What matters about market participants is their financial status and the demand for their products, rather than their needs, wishes and personalities. The laws function precisely by abstracting from their particular desires and wills. This implies that market laws are also fundamentally unfree for Hegel. Freedom is a matter of ‘being at home’ or ‘with oneself’ in other persons and the social structure. Individuals are not ‘self-related’, or affirmed in the application of the law; market laws do reflect their wills, characters, and decisions.

For Hegel, as for Smith, the talk of a super-subject imposing its reasoning is nothing but a metaphor. And yet, for both, there is clearly an ordering force at play in the market. However, Smith sees market laws basically as a neutral sphere, where subjective efforts receive an objective evaluation. The market can only function in this manner if individuals act virtuously, i.e. if they are industrious and make good products, if they are frugal and produce at low cost, if they honestly inform each other about their products and if they hand over their product in a punctual manner. Smith’s main concern about the market is, hence, that individuals need to act in such a way as to enable an objective evaluation of their work, which the market guarantees to deliver given their virtuous behaviour.

Hegel, by contrast, describes market laws as violent, independently of whether market participants act virtuously or not. The key to this difference lies in the fact that Hegel looks at this issue in terms of form, rather than content. For Hegel, market laws are bad in so far as they are externally imposed on individuals, not because of the results they render. (That said, it seems highly unlikely from a Hegelian perspective that market laws bring about the best result for everybody, since they function precisely by abstracting from every single person, her needs and behaviour.) But even in the hypothetical and unlikely case that the cunning of reason creates the best and fairest possible result, it would still not be our own cunning; it would be externally applied to us, more akin to receiving alms from a charitable master than to an act of freedom. The result of the activity of the telos on the means is not the unity of both, but merely another product or means, something that is different from the telos and that will be used by it in the future (*WL* 2: 451/746).

The ‘cunning of reason’ is neither completely irrational, nor completely rational; it is neither completely freedom-denying, nor completely freedom-actualizing for Hegel. Hegel certainly claims in the introduction to the *Philosophy of Right* that ‘the rational is the real’, and the market is part of the rational system of right he develops. However, rationality or coherent structuring comes in degrees. When Hegel speaks of ‘reason that shines into’ market interactions (*PR*: §182A) and their ‘seeming of rationality’ (*PR*: §189), he must be understood as saying that reason is only obliquely active, partly hidden and indirect as the metaphor ‘shining’ suggests. The ‘cunning reason’ of market laws is rational for Hegel, in so far as it actualizes personal freedoms and brings about certain structures and regularities that serve as a precondition for true social and collective freedom. The market brings different professional groups into existence, hence providing a structural differentiation that, when overseen by individuals, is key for Hegel’s account of the state, as will be seen below. However, the cunning market dynamics are never by themselves sufficient for realizing the most complete form of freedom, since they never result in an empowerment of market participants.

III. Embedding the market and the state organism

If this analysis is correct, Hegel is likely to disagree with Adam Smith on the role the state has for the market. Adam Smith certainly demanded the state’s involvement in the market, but in a very specific way: The state ought to support individuals, rather than affect the market logic. More precisely, the state needs to provide public (judicial) institutions, (moral) education, and mental and physical care for those harmed by the division of labour (see Herzog 2013: 36). However, as Adam Smith says, “the sovereign is completely discharged from a duty, in the

attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human knowledge or wisdom could ever be sufficient – the duty of superintending the industry of private people” (Smith 1977 (1776): 914). For Smith, market logic concerns the best allocation of labours (in terms of the maximization of riches produced and needs met). No human being can know in advance, which allocation of labours is best at a given moment in time. For Hegel, by contrast, the market has less to do with (divine) wisdom than with power. The issue with market logic is that your own work, decisions and actions turn into a force that works against you and that you cannot control.

Hegel’s *Logic* shows how such an external rule can be overcome for Hegel: he proceeds from external to internal teleology, which he discusses in terms of the living organism under the header ‘Life’ as part of the Idea (*WL* 2: 476). Internal teleology can only emerge if the relations between objects and the objective laws change fundamentally:

The end which is [...] determining the immediate object must not do so as a determinant external to it, and consequently the object must spontaneously (out of its own impetus) unite into the unity of the Concept. (*WL* 2: 451/746)

External teleology would only be overcome if objects had specific internal structures or characters and actively sought to unite with others on that basis. Kant developed the notion of internal teleology with reference to the biological organism, wherein each organ is an end and realizes itself in relation to all others. To overcome external teleology, the passive object needs to turn into something else, an ‘object that is inner purposiveness, essential subjectivity’ (*E* 1: §214). He also says: ‘external determinateness has now further developed into self-determining’ (*WL* 2: 444/740).⁷ The objects themselves shall be aims or self-determining subjects, rather than order being one-sidedly imposed on them by the external telos. Only this enables the transition from the planning rationality of external teleology to Hegel’s absolute Idea: ‘The object is not rigid and without process; instead, its process consists in its proving itself to be that which is also subjective, and this forms the advance to the Idea’ (*E* 1: §194A).

If the market indeed functions according to the logical structures of external teleology as I claim, one would expect Hegel to describe the state as an organism or internally teleological organization that ‘sublates’ the market, by embedding it and improving on the unfree structures that characterize market relations. Houlgate (2005: 204f.) is among the few interpreters who point out that the ideal state institutions Hegel describes have a large degree of power with regard to the market: Hegel not only proposes that professional groups negotiate to make laws; he also argues that they coordinate their production and trading practices outside

of parliament. The state can regulate prices and, Hegel suggests, on occasions ‘determine everyone’s labour’ (PR: §236). This is in line with Hegel’s early writings, where he claims that the market requires ‘continual strict dominance and taming like a wild beast’ (JS: 230/249). It also makes sense in respect of the logical underpinning of the market developed above.

Hegel’s state thus certainly embeds the market and he clearly conceives of the state as an organism. As said above, internal teleology, the organism or life is the first shape of the Idea, which follows and improves upon external teleology in the *Logic*. And, indeed, Hegel calls the state the ‘actual idea’ (PR: §262): ‘the state is an organism, i.e. the development of the Idea in its differences’ (PR: §269A). But what is to be made of the notion of the state organism and how must it be conceived in order to counteract or improve on the shortcomings of external teleology? British Idealists like Bosanquet have proposed a popular interpretation, according to which ‘the organism of the State [...] is the development of the idea into its differences, and its objective reality. These different sides are the different powers and their occupations and activities’ (1898: 4). But would a state organism in this sense sublate, i.e. improve on and counteract, the problems of external teleology and market laws ruling over individuals? As shown above, overcoming external teleology is not a matter of content, of what the laws deliver, but rather a matter of form, of how individuals relate to one another and the social whole. Bosanquet certainly makes a claim about the form of the state, saying that Hegel demands that it should have a self-differentiated structure. However, he focuses too much on the notion of the whole, its self-preservation and structure. As the above discussion demonstrates, the crucial point for Hegel is not merely self-differentiation of a whole, but that the differences and relations established within a whole or organism reflect the particularities of the members of this whole. In the *Logic* Hegel claims that objects should ‘become subjects’, relate to one another out of their ‘own impetus’, with the result that ‘all the members are reciprocally momentary means as well as momentary ends’ (E 1: §216). Hence, we have to understand that the (social) whole persists and preserves itself in so far as and because all its members can realize their ends with help from the others. Indeed, Hegel clearly proposes that the organs of the state are neither solely nor primarily the various powers that the state exerts; rather, the organs in the state organism are professional groups harmoniously collaborating so as to enable each group to realize its interest. This interest includes the desire to shape how exactly the profession is carried out and interacts with other groups within the social organism. As Hegel writes:

It is not in their inorganic form as singular human beings as such (in the democratic fashion of voting), but as organic moments, as estates, that they enter upon that participation [in the state]; a

power or activity within the state shall never appear and act in a formless, inorganic shape, i.e. out of the principle of plurality and mere numbers [*Menge*]. (*E* 3: §544; cf. *PR*: §302A)

As shown above, Hegel criticizes objects and market participants for not having a structured and clear identity on the basis of which they could establish specific relations to others. He therefore concludes that individuals should develop clear interests and structured, coherent identities by joining an estate and that land-owners and the professional groups of the business estate should make the laws in the ‘assembly of estates’ (*E* 3: §544) and effectively control the government—headed by a monarch⁸—by approving the budget (*E* 3: §544).

While this is not the place to discuss Hegel’s theory of the political state in detail (see Baumann 2021, 2018b), the above discussion shows that it is only fitting for Hegel to argue that individuals need clearly structured group identities and interests, and that (representatives of) these groups should oversee their relations. Those relations include their economic relations. The estates assembly must ensure that each group is furthered and supported by all others as best as possible. In this way, one can understand the political state as the structure providing the highest degree of freedom, the best possible form of being ‘with oneself’, and hence supported by and in control of one’s surroundings. The highest possible degree of freedom can, hence, only be achieved when the cunning market dynamics are embedded and tamed, to the effect that human beings re-appropriate market structures and become the masters of their own social world. They do so when each group supports all others in fulfilling the social function and pursuing the kind of profession they have chosen, and when all groups collectively oversee and shape the division of labour that came about with the help of the cunning market dynamics.

The political state thus displays different aspects of the logical Idea, such as the structures of the organism and (collective) subjectivity (see Baumann 2021). And the state does so, while ‘sublating’, i.e. embedding and thereby improving, the market by reducing its negative effects and ensuring that the positive sides of market freedom can continue to be enjoyed (without, for example, a group suddenly being pushed out of the market and into abject poverty). This interpretation fits with Hegel’s demand for a ‘patriotism’ that consists in a faith in the ‘rationality’ of state institutions and ‘the consciousness that my substantial and particular interest is preserved and contained in the interest and end of an other (in this case, the state), and in the latter’s relation to me as an individual’ (*PR*: §268). If one lives in a state that functions as a state organism, wherein citizens collectively make sure that their group interests are supported and furthered by that of all others, then one’s particular (group) interest coincides with the substantial interest, i.e. one’s interest

in maintaining the state as a whole, since one wants the state to continue to exist on account of one's group and national loyalties.

Conclusion

Against certain readings, such as that of Herzog, I have sought to demonstrate that Hegel's account of the market ought to at least also be understood in terms of the market's structures and their logico-metaphysical underpinning. Such an analysis shows that, very much in contrast to Smith, Hegel considers market laws as an imposition that rules over individuals as an arbitrary and unlimited force. For Hegel, the market is characterized by a deep contradiction between the personal freedoms of (professional and consumer) choice that individuals do and ought to be able to enjoy and the inexorable rule of market laws that enable these freedoms, while at the same time subjugating individuals, limiting their choices, and threatening their continued participation in market exchanges. While this view of market laws as a threatening, violent, and arbitrary force anticipates lines of reasoning that Marxists would later expound, Hegel believes that the structural problems of the market economy can be mitigated by embedding the market in a state where professional groups oversee and coordinate their market relations in the legislative assembly. Unlike the early Marx (see Baumann 2018b) who favours the view that all human beings share a species-being (*Gattungswesen*), Hegel believes it is important that individuals develop distinct (professional) identities and that the market offers a good space in which this can occur. Only when having relatively fixed, clear, and relatable identities can human beings relate to one another on this basis, defend their respective interests, and ensure that each group supports all others as best as possible.⁹ This is why Ruda (2011) is right that the poor, who are excluded from the market, present a profound problem for Hegel's theory, since they lack any specific economic identity that can be coordinated in harmony with other groups.

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Notes

¹ This entails that the sublation of the market cannot be 'absolute mechanism' or the 'syllogism of syllogisms', as Ross (2015) argues. Rather, I will show that the external imposition of market

forces can only be overcome in terms of an organic state, within which social relations are organized or re-appropriated by organs or social groups.

² Henrich (1976: 216, 222) calls this relation ‘self-referential double negation’, or the ‘doubling of the self-relation of negation’, while Flach (1995: 73) speaks of ‘the immanent reflection of the reflection into oneself and the reflection into another’. This formulation acknowledges what I have pointed out, namely, that there is not only a relation of identity and difference (between finite entities), but also another relation overreaching this first one, a relation to this relation (the relation of things to the absolute and vice versa). Günther (1987: ix) highlights this triadic structure: ‘The reflection into itself of the reflection into oneself and another describes the basic systematic relation between Being-different (Anderessein) and Being-within-Oneself (Insichsein) which is overreached by a second form of Being-within-oneself (Insichsein)’.

³ Abbreviations used (I have amended the translations where necessary)

- E 1 = Hegel, *The Encyclopedia Logic*, trans. T. F. Geraets (Indianapolis: Hackett Publishing, 1991).
- E 3 = Hegel, *Philosophy of Mind*, trans. W. Wallace (New York: Cosimo, 2008) / *Enzyklopädie der philosophischen Wissenschaften*, Volume III (Frankfurt: Suhrkamp, 1986).
- JS = Hegel, *System of Ethical Life and First Philosophy of Spirit*, trans. H. Siltou Harris and T. M. Knox (Albany: State University of New York Press, 1979) / *Jenaer Systementwürfe I* (Hamburg: Meiner, 1986).
- PR = Hegel, *Elements of the Philosophy of Right*, trans. H. B. Nisbet (Cambridge: Cambridge University Press, 1991).
- WL 2 = Hegel, *Hegel's Science of Logic*, trans. A. V. Miller (New York: Humanity Books, 1969) / *Wissenschaft der Logik*, Volume II (Frankfurt: Suhrkamp, 1969).

⁴ Hegel mentions that habit and an unreflective type of memory are mechanical for example (WL 2: 410/711). As will be seen, he also uses examples from social philosophy to explain the logical concept of external teleology.

⁵ Under the header ‘Mechanism’, Hegel first discusses the options that the universal force or law could be either completely external or completely ‘immanent’ (WL 2: 428/726) to objects: In ‘dead mechanism’ one assumes independent objects or ‘totalities’ of elements (WL 2: 429/727), but sees that they are also affected by or transmit universal forces. Hegel then discusses the opposite viewpoint, which he calls ‘free mechanism’ (WL 2: 426/724). This perspective holds that the forces or laws serve to individuate objects and that ‘the law is indeed immanent in them’, their organizing principle (cf. WL 2: 428/725). Objects can be distinguished from one another as distinct instances of laws and degrees of their application; and the elements of objects stay together according to the laws of physics (‘it is solely [...] in its laws that [an] object has its essential independence’ (WL 2: 428/725–26)). The problem with this view is that objects are ‘powerless’ and have no ‘resistance’ or ‘self-enclosedness’ against the laws, and hence are reduced to nothing but a particular instance of the law (WL 2: 428/726). Looking at chemical objects, it becomes clear that the law is internal and yet *also* external, and that objects’

independence must be understood in terms of objects eliciting or enabling specific relations to other objects (see *WL* 2: 434/731). This point is further developed under the header ‘Teleology and the Idea’, where Hegel first discusses external teleology (i.e. the law imposing its aim onto objects) before proceeding to speak of internal teleology or the organism, where objects as organs realize themselves in relation to one another.

⁶ Hegel describes the freedom of market participants, for example, in *PR*: §260. For a good overview of many of Hegel’s arguments, see Ver Eecke 1987: 127–58, particularly 137ff.

⁷ Ross notes that the development in ‘Objectivity’ (and, in his reading, already in the mechanism) is one towards self-determination of the objects, which implies that ‘the objects’ immanent determinations explain their relationship in a system of motion’ (Ross 2008: 97). However, rather than interpreting this new relation in terms of the logical organism and social groups re-appropriating their social relations, as I do, Ross highlights the logical concept of the absolute mechanism or ‘syllogism of syllogisms’ (of market and state), and reads Hegel in accordance with this concept (see also Ross 2015).

⁸ Hegel famously says that since the state is a perfect organization, the head of state only has the function of saying ‘yes’ (*PR*: §280A). Only the right of deciding over war and peace is explicitly reserved for the sovereign (*E* 3: §544).

⁹ My argumentation accords with Yeomans’s argument in *The Expansion of Autonomy* (2015) to the extent that the rational and universal, the best state and the universal good, require an expression rather than a repression of individuality. However, Yeomans makes his argument in terms of individuals letting go of their interests and identifying with their particular talents, which they ought to use to contribute to the wellbeing of the collective or state in their own particular way. By contrast, I have shown that freedom and the best state entail the state picking up on, organizing, and expressing the particular interests of social groups. Overcoming external teleology and, hence, the external imposition of a law requires the active self-structuring and self-organization of the objects or members that were previously passively subsumed under the law.

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