Hic Rhodus, Hic Salta! Three Conceptions of the Modern Inequality Paradox

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LOYOLA UNIVERSITY CHICAGO

HIC RHODUS, HIC SALTA!
THREE CONCEPTIONS OF THE
MODERN INEQUALITY PARADOX

A DISSERTATION SUBMITTED TO
THE FACULTY OF THE GRADUATE SCHOOL
IN CANDIDACY FOR THE DEGREE OF
DOCTOR OF PHILOSOPHY

PROGRAM IN PHILOSOPHY

BY
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For the generations who will make social inequality a purely historical matter.
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ABSTRACT

The modern epoch is characterized by a paradoxical form of social inequality in which poverty expands alongside the unprecedented growth in socially-produced wealth. Any one conception of this dynamic stakes a claim within the classical liberal problematic, in which the central political challenge is the negotiation of individual interests with those of the social whole. The first part of this work analyzes three influential conceptions of the inequality paradox in the history of social thought, those of G.W.F. Hegel, Karl Marx, and John Maynard Keynes, each encompassing a perspective on the nation-state and its relationship to the institutions of economic intercourse. The first chapter analyzes and argues for an interpretation of “the problem of poverty” in Hegel’s *Philosophy of Right*. I intervene in an ongoing discussion on whether and how Hegel resolves the problem he raises. How Hegel proposes to resolve the problem and the form his criticisms take of the problem of poverty hold important implications for those drawing contemporary insights from Hegel’s work. Marx’s early work represents a fuller critical response to the modern problem of poverty, in which he identifies its dual political and economic character expressed in the economic dispossession and political exclusion of a significant population in the Prussia of his day. I argue that the consolidation of bourgeois property and social relations in Germany played a critical role in the development of Marx’s political economy, but that most significant was his debate with Proudhon over the significance of the problem of poverty for the modern epoch. The third chapter presents an analysis of John Maynard Keynes’s critical appraisal, written some five decades after Marx, of the modern inequality paradox in his time, a period
newly marked by world war and revolution. I present a philosophical assessment of his proposed rectification of the problem. The justifications he offers bear notable similarities to Hegel’s approach to the issue.

In the second part, I turn to the present period, where the growth of social inequality in the latest phase of the expansion of capitalism worldwide has strained the nation-state system to its limits and posed political challenges for which institutions have not yet been developed, as Thomas Piketty has argued. Considering the historical models for thinking about the modern inequality paradox, I offer an analysis of Piketty’s latter-day Keynesianism as well as that of political economist Geoff Mann. In contrast to Keynes’ outlook, both contemporary thinkers express immense anxiety over the unlikelihood that the world economy in its current form can be rationally managed by global collaboration among competing nations. I then offer a counter-assessment to the viewpoints of Piketty and Mann, based on the inequality data Piketty, et al. have produced. I argue there is a more equitable and democratic alternative before us.
INTRODUCTION

The first part of the following work examines three influential perspectives on the modern social inequality dynamic, those of G.W.F. Hegel, Karl Marx, and John Maynard Keynes. The second part takes up the perspective of contemporary followers of Keynes, Professors Thomas Piketty and Geoff Mann, contrasting their views to those of Keynes himself and, finally, offering an alternative outline for understanding the inequality problem.

The three historical figures here identify the modern circumstance of polar social inequality, unique in that poverty is produced alongside expanding social wealth, as the central challenge to the stability of the bourgeois social order, a phenomenon recognized as a major political challenge facing the state in the immediate aftermath of the French Revolution. The polar dynamic of inequality has been a perennial topic in political economy and philosophy not only because it is a stubborn feature of modern society with moral, ethical and political implications. It has also been understood as a causal nexus of sociopolitical crisis, with a global influence tracking along with the expansion of the world capitalist system.

Importantly, in the works of Hegel and Keynes, the dynamic of capitalist inequality is referred to as a problem: “the problem of poverty” and the “paradox of poverty amidst plenty,” respectively. Marx, whose work presents something of a contrast to this view, did not view the inequality dynamic merely as a problem, but as an engine of intensifying social crisis, leading to a struggle that pointed to a different form of social organization altogether. Keynes, as well as his contemporary representative in Thomas Piketty, identified social inequality as the central threat
to political stability domestic and international, as the ensuing economic and political problems it generates intensifies competition between nation states, and leading to armed conflict.

How each thinker prioritizes in their understanding certain features of the problem determines their outlook in important ways. Despite the essential differences among them, the centrality of the paradox to these thinkers’ conceptions of the most pressing economic and political issues of our time challenge us to take their full measure.

Finally, political economy as a field of study relies on ethical and political conceptions just as much as it depends on the more technical aspects of economic thinking. It is self-evidently political. Law and the institutions it establishes and maintains determine the political and social divisions on which human productive activity and its relationships depend. In significant measure then, political economy expresses the rationality of the modern state. It is also a human science, informed by theoretical foundations that include understanding of the mechanisms of commercial intercourse and material production, such as markets and money. It also employs conceptions of right and justice, individuality and universality, freedom and necessity, and historical progress. Altogether this points to a deeply philosophical enterprise that is dependent for its success on accurate, refined empirical data.

Origins of the Research

The 2008 global financial crisis provoked a renewal of effort on the major questions of social life: understanding what creates capitalist crisis and the inequality dynamics of the capitalist economy, about the political experiences of the last fifty years, and about the theoretical and methodological approaches to such investigations.
Certainly, the 2008 financial crisis motivated many to develop their own understanding of the general dynamics of the vast global economy that conditions national, regional, municipal life, and binds the fates of individual members of the great majority of the human population to most of the others, whether it is through different forms of consumption, or the training, care and education of the present and future workforce, or labor that involves us in the production of commodities manufactured in the end by hundreds or thousands of hands across continents and oceans.

What is at stake in viewing the intractability of the global financial crisis is clearer ten years on, in the rise of violently reactionary forms of politics aimed in part at eroding international cooperation and solidarity, including trade war policies that exacerbate the tensions between and within nation states, and the broad remilitarization taking place in the industrialized countries as old political alliances disintegrate and new, even more tenuous alliances form. In this light, it seems critical to develop a sophisticated understanding of an inequality dynamic long thought to lie at the center of both domestic and international unrest and to play a central role in the eruption of major military conflicts.

This project is motivated not only by the crisis events of the last ten years but also how remarkably absent inequality mitigation has been in its aftermath. The search for answers to the following questions is the broader context of this work: Why have these seismic political and economic shifts taken place? This work proceeds more narrowly from the following question: How is it that this inequality paradox been understood, and what are the essential issues involved?
My aim in producing such a wide survey, covering literature spanning nearly 200 years, is to first note the common, persistent features over that time, and second to provide a sense of the theoretical contours of the way the problem has been understood, which have both philosophical and political-economic aspects that are sometimes difficult to distinguish in any way other than analytically, being so deeply interdependent. (Hegel’s *Philosophy of Right* offers one model for going about making such distinctions.)

**Approach**

It is not common that we encounter a paradox outside of thought, not only in idea but in reality. The guiding questions here are, How has the modern inequality paradox been understood?, and perhaps more importantly, What does the paradox mean?

The modern inequality dynamic is a real social paradox, not merely one appearing in our thinking about it. The inequality dynamic has advanced over time, and therefore some empirical information is offered at the start of Chapters Two, Three and Four in order provide a basic understanding of those changes, and especially how the new contours of the problem at each stage shifted the priorities in thought about it over the decades.

Relevant differences among the frameworks here exist in both theory and method. I have tried to identify where these exist and provide a comparative analysis where I believe the differences are crucial for the form of the problem at the time and for the further implications the position.

The work in the following chapters then is not sufficient to understand the modern inequality paradox today in its full development. That would require a much fuller empirical analysis. What this work does aim to provide is historical and theoretical insight into the
problem’s development. It deals with theoretical frameworks. As the global capitalist economy expanded and the inequality dynamic developed, taking on in the twentieth and twenty-first centuries a highly malignant form, how it has been understood is critical to know, because of the central role such an understanding plays in how the problem has been politically engaged in different periods.

I believe an analysis of the historical features of the inequality dynamic itself over time, and the way it has been theorized, can contribute to a clearer understanding of the paradox as it stands today. An understanding of the problem as it exists in time, and the historical and theoretical attempts to grasp it are necessary to any attempts at its future resolution. In the sense then that “philosophers only interpret the world as it is”, this is a philosophical project.1

Chapter Summaries

The first three chapters of this work deal with three expressions in theoretical thought of a real paradox in the modern world: a social order that simultaneously produces an unprecedented amount of social wealth and poverty.

Chapter One is on the problem of poverty in Hegel’s *Elements of the Philosophy of Right*. The essential issue for Hegel in the “problem of poverty” is a relative lack of integration between the self-interested modern individuality and the general social interest, represented in a national unity. Hegel proposes an institutional framework for addressing the issues along the lines he believes are critical, institutions that are aimed at fostering modes of social consciousness that culminate in an understanding of the national polity as a social universal from which all the

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1This is a reference to the famous eleventh thesis of Marx’s “Theses on Feuerbach” in Marx and Engels Collected works volume five, from this point on cited as MECW, pp. 6-8.
diversity of individual free will originates. The “problem of poverty” is for Hegel then not a technical economic or material problem, it is a spiritual problem in the broadest sense. While the “problem of poverty” can threaten the social order with crisis and breakdown, and its eruption appears as the highest point of tension in his political work, the presence of the problem and the crisis it creates is fundamentally an indication of a lack of citizenship.

But to acknowledge this does not obviate the economic questions involved in modern inequality. Hegel does not shy from these, offering in the course of work a critique of the “free market.” However, there is a disconnect between Hegel’s analysis and institutional framework and industrial capitalism (to say nothing of 21st century global capitalism) that poses distinctive challenges for those looking to Hegel for insight into contemporary inequality. My chapter is aimed at clarifying some of the problems for interpretation that can arise in this context.

Hegel views the inequality paradox not as an economic challenge with a technical solution, but as the highest expression of political problem of the time, and in that sense, it is ultimately a spiritual problem in the society.

Marx’s approach (Chapter Two) differs dramatically from this, which is not to suggest there are no cultural, social or spiritual problems with capitalist society on his view, but rather that the essentials of it are economic, which determine the political in important ways. I argue that an important axis of divergence of Marx’s thought from Hegel is on just this “problem of poverty,” at a more advanced stage of development at the time. Marx’s conception of the paradox was also a response to how the problem was understood by his contemporaries.

Marx identifies the inequality paradox as ineluctably determined by the institutions of the capitalist social order, an order notably different from that which Hegel presents, and in dealing
with the same question, Marx departs from the Hegelian framework in both theory and method. Significant aspects of the development of Marx’s conception of the capitalist social order, including its basic organization and its mode of expansion, emerged out of his engagement with “the problem of poverty”—and not only what it was, but what it signified.

With Keynes (Chapter Three) an apparent puzzle arises: How can an English economist with no training or apparent interest in the work of either Hegel or Marx present a view on the “paradox of poverty amidst plenty” as he put it that hews so closely to Hegel’s articulation of the problem more than one hundred years earlier? The answer to this is to be found in Hegel, not Keynes. Indeed, the bourgeois expressions of the problem have not gone very much beyond the initial problem as stated by Hegel. While Hegel got to the heart of the problem as political paradox, he did not account for the capitalist economic dynamics. Keynes presents a peculiar hybrid view of the preceding frameworks in identifying problematic structural features, including a section of the capitalist class and basic features of economic life to be eradicated. But Keynes offers these from a perspective strikingly similar to Hegel’s, in which he identifies the essential issue being one of an insufficiently integrated sense of the interests of the individual with that of the social whole, the nation-state.

Having simply rejected Marx’s political economic conceptions, Keynes offered his own alternative to the prevailing economic views of his day. In the course of identifying and proposing to remedy “the paradox of poverty amidst plenty”, he, like Hegel, identifies overproduction as a challenge, and in offering his solution, calls for the subordination of the individual’s freedom to pursue profit to the “general good” of the nation.

The last two chapters engage contemporary thinkers working in the Keynesian tradition.
In Chapter Four, we see contemporary Keynesian perspectives on the contemporary inequality problem in the work of Thomas Piketty (and his close collaborators Saez and Zucman) and Geoff Mann. Piketty presents an unprecedented body of research on modern inequality, an analysis indeed policy proposals along Keynesian lines, but remains deeply pessimistic about their prospects for adoption, despite the growing danger of political destabilization and war.

The rational appeal of such Keynesian approaches, Mann argues, rests on there being political support for the current social order, i.e., that it be believed there is something worth preserving. Mann also detects an interesting political problem: he claims the enormous social anxiety over runaway inequality is driven in party by the suspicion that nothing lies beyond the present order—that is, the current alternative conception is some form of chaos—and that this fear contributes to the evergreen character of the “Keynesian” perspective. Mann also expresses the worry that support for “Keynesian”-type reforms and political management of the problem will be difficult to justify, given the severity of the social, economic and ecological challenges confronting the human population. Mann’s concern is that that the political intervention of the state to “manage” these problems will be powerfully destructive of civil rights and democratic forms of rule.

In the conclusion (Chapter Five) I try to take the measure of the contemporary Keynesian perspectives on “the paradox of poverty amidst plenty” in light of the history of the problem’s conceptualization, and argue for a perspective on it. Critically, Piketty, et al. present research that suggests a polarization of inequality that has created a new aristocracy. I argue that Mann’s intuition is correct, the shape of inequality today does not pose, as it did one hundred years ago,
the dilemma of ‘reform or revolution,’ but ‘revolution or counterrevolution.’ Further, this is no cause for retreat.

A Note on the Title

The title of this work comes from Marx’s adoption of Hegel’s punning use of the phrase. Hegel wrote in the preface to his *Philosophy of Right*, “Hic Rhodus, hic saltus. To comprehend what is is the task of philosophy, for what is is reason.”²

The phrase has a complex meaning, but it is in part a challenge: to proceed from what is. The task was for Hegel to demonstrate how the concept of right is made real, or actualized, in the modern state. A central task in the course of that demonstration was to argue for a conception of “the problem of poverty” and its resolution.

It would be unacceptably banal to simply state that there are important similarities and differences between the two thinkers. I show in Chapter Two some of the fundamental differences.

An important similarity is represented in the title of this work. Marx adopts a version of the phrase in his “Eighteenth Brumaire of Louis Napoleon,” to communicate a similar message, albeit in a different political context. He refers to the task the central problem of the capitalist order places before the dispossessed class, and that this comes not from some external notion of what the world should be, but what is.

Hegel also put the point this way in the Preface to the *Philosophy of Right*: “We do not teach the world what it ought to be.”³ Marx said it similarly in a letter to Arnold Ruge: “We do

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³Ibid.
not say to the world: Cease your struggles, they are foolish; we will give you the true slogan of struggle. We merely show the world what it is really fighting for, and consciousness is something that it has to acquire, even if it does not want to.”

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CHAPTER ONE
THEORETICAL SIGNIFICANCE OF THE “PROBLEM OF POVERTY”
IN HEGEL’S PHILOSOPHY OF RIGHT

In this chapter, I offer an analysis of the “problem of poverty” as it unfolds in Hegel’s Elements of Philosophy of Right, first published in 1820 as Naturrecht und Staatswissenschaft im Grundrisse: Grundlinien der Philosophie des Rechts.¹ This analysis is supported by additional works from Hegel’s corpus, including early lectures on the system of right,² and those contemporaneous with PR, the Berlin Lectures of 1819/20. My aim in presenting this analysis is to establish what Hegel’s view is on “the problem of poverty,” the modern social inequality dynamic. This is on Hegel’s view a dynamic between the individual pursuit of self-interest in a work exchange system on the one hand, which is Hegel’s conception of civil society, and where the resources of society are used to serve the welfare of its individual participants, and the state on the other hand, whose members possess a patriotic spirit that wills the shared life of the national community for its own sake and subordinates the productive activity of civil society to that end.³

¹G.W.F. Hegel. Elements of the Philosophy of Right, translated by H.B. Nisbet (Cambridge: Cambridge University Press, 1991), p. 9. Abbreviated after this point as PR. I observe the following conventions: The § sign followed by a number signifies Hegel’s own major statement; an R after the number means Hegel’s own remark; and an A after the number means an editorial Addition, also followed by a number if there is more than one addition to a section.

²Jena Realphilosophie II.

³I am grateful to Dr. Ardis Collins for her extensive commentary and organizational suggestions in this chapter.
This chapter sets out what I take to be the essential issues involved in the “problem of poverty” and their implications for those seeking philosophical and political insights from Hegel on this problem in the PR. While the struggle for social equality is ultimately a political question and cannot be resolved philosophically, an understanding of the philosophical issues involved in Hegel’s “problem of poverty” is critical for anyone taking seriously historical attempts to present a model of the modern, liberal (if not quite capitalist) social order in which the enormous diversity of individual life is conceived to interpenetrate with the fundamental unity of a national citizenry. This for Hegel is the central question at the heart of the “problem of poverty,” and it not a coincidence that this is also a central political problematic for the modern liberal state since the French Revolution. My argument is intended to affect how the network of issues involved in “the problem of poverty” is understood in Hegel’s philosophical system, and of what in PR those looking for answers to contemporary inequality issues will want to be aware.

Hegel’s main aim in PR is to demonstrate where freedom, i.e., reason, is actualized in social institutions; and this is achieved, as it is in his works like the Phenomenology of Spirit, in an argument that is propelled by the conflict between different stages of self-consciousness and its understanding of its own context.

In PR, the main features of this dynamic will be familiar to those read in modern social theory as the central question of the work: how the modern individual, armed with, by historical comparison, a radical form of free will with which to pursue multiple interests, talents and desires, can have its interests and pursuits align with that of an equally modern notion of the social whole—i.e., the modern state. In civil society, this dynamic is played out through the modern institutions of the market and private property, with an analysis of the conditions under
which the interests of the individual and society can be aligned, and the consequences when those do not obtain. The chapter then examines contemporary interpretations of the “problem of poverty” in PR.

The significance of PR for this work is its analysis of the modern social inequality dynamic and its proposed resolution, namely through different forms of political mediation. The emphasis Hegel places on the interplay of material relations and social consciousness when it comes to the problem of poverty in the PR—primarily characterized by growing inequality amid growing wealth and escalating social want and discontent—is remarkably sophisticated. Moreover, the general form of the resolution Hegel offers has made the PR attractive to those seeking to understand both bourgeois welfarist and historical social-democratic solutions to this fundamental problem that continues to bedevil society.

The context for the resurgent popularity of Hegel’s work in general in recent years is complex, involving epochal shifts in world politics, most notably the dissolution of the Soviet Union and the challenges to national sovereignty in the globalization period. These changes are reflected in questions and trends in academic philosophy.

Warren Breckman’s valuable study *Marx, the Young Hegelians, and the Origins of Radical Social Theory*, comments that “one of the characteristic moves” of those who now feel the need to go beyond Marx “has been to look behind [him] for inspiration and theoretical guidance. This post-Marxist interest in pre-Marxist social theory has significantly enhanced the

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4It is well-established in both Hegel’s own writings and in the scholarship that the motivation for dealing carefully with this issue comes out of Hegel’s observation of the French Revolution, and the political conception of the individual that he identifies as the source of revolutionary terror. See Terry Pinkard, *Hegel* (Cambridge: Cambridge University Press, 2000) and Shlomo Avineri, “Labor, Alienation, and Social Classes in Hegel’s Realphilosophie,” *Philosophy and Public Affairs* 1, no. 1 (Autumn 1971): 96-119.
fortunes and relevance of Hegel, the master thinker whom the young Marx triumphantly claimed to have overcome.”

A rather more omnipresent reason for Hegel’s popularity through the mid-to-late twentieth century and now into the twenty-first is buried a bit deeper in Breckman’s commentary:

A sense of crisis was of course common among German intellectuals in the early nineteenth century, most prominently in Hegel himself, who did more than any other thinker to introduce the theme of alienation into the philosophical investigation of modern life. . . Hegel sought to overcome alienation through the reconciliation of tradition and modernity, of orthodox belief and the modern claims for the rational, autonomous subject.”

The many dynamics involving social alienation in Hegel’s work have been the focus of work by Philip Kain. In his recent essay, “Hegel and The Failure of Civil Society,” Kain presents his view of the significance of the “the problem of poverty” in civil society, and points to the PR as an inspiration for social-democratic solutions to contemporary social inequality and political alienation. In a work from the same year (2014), Jeff Jackson suggests that a universal basic income, a popular reform proposal in the US today, is consistent with the analysis set forth in PR, as it “entails state action to eliminate poverty... Universal basic income is one public policy that can help the state sublate civil society in the fashion Hegel intends.”

Reading Hegel after the dissolution of the USSR, philosophers like Jay Drydyk turned to PR for economic and political insights into the failures of both capitalism and Stalinism: “At the

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6Ibid., 179.

bottom of Hegel's objections we find the claim that all members of a community have a right not to be excluded from the satisfactions that are offered by its way of life. Neither a community whose political life is dominated by civil society nor one where civil society is repressed by politics can honor his right.”

It is easy to see how the vision of society Hegel offers, one characterized by particularity and moderation, is attractive to intellectuals sensitive to the social and political crisis created by extremes of inequality today, and the dangers those extremes pose to the social order. Hegel himself was extraordinarily sensitive to those issues. Though PR is unquestionably limited to its epoch, and I will be arguing for a perspective on certain of those limitations, it does speak to the issues of our day, although perhaps not in the way many have hoped.

The “problem of poverty” arises at the level of civil society, based in modern relations of production, but cannot be resolved within its confines. Hegel argues that the issue has a fundamentally political solution, in which the ethos developed in the society mitigates the worst tendencies of profit-seeking. But Hegel is not idealistic about the outcome, and does not believe that poverty can be entirely eradicated. The tensions in his work appear to make room for a number of different interpretations of the PR, and for its enduring relevance.

The discussion in the chapter will develop along the following lines: First, some remarks are offered on Hegel’s dialectical procedure as he describes it in PR. Next, I provide a schematic outline of the argument developed in PR in order to provide context for the specific focus on the transition between the consciousness of civil society and that of the state in which the “problem of poverty” arises. After that, I focus on how the “problem of poverty” emerges in the dynamics of civil society and the state in PR, and Hegel’s contemporaneous lectures on the topic. Then I
assess some of the influential interpretations of the problem. I conclude with an argument for my interpretation of the significance of the problem of poverty in light of Hegel’s own theoretical requirements, which are intimately bound up with the broader philosophical problem that determines the entire work—i.e., the integration of the individual interest with that of the social whole, the nation. Then I will spell out its implications for those turning to PR in our contemporary context.

**Explanation of Hegel’s Philosophical Procedure**

The subject of PR is the concept of right and its actualization.8 In his preface, Hegel identifies PR as a product of philosophy properly understood: a proof and exposition of reason in the modern social order, using a method developed in his earlier works, and that develops theoretical content from the concept of a thing.9 This content however is not simply abstracted from the world in which the conceived resides; it has a history and stands in many different but concrete and knowable relationships. This is to say that Hegel’s method is sometimes misunderstood as being independent of, or even opposed to the existence of empirical or historical information. But without a proper understanding of these, errors and misapprehensions will inevitably arise.10

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8*PR*, §2.

9*PR*, §2 and *PR*, 10. “Since I have fully developed the nature of speculative knowledge in my *Science of Logic*, I have only occasionally added an explanatory comment on procedure and method in the present outline.”

10Hegel addresses this aspect of his method directly in the introduction to the *Phenomenology of Spirit*, especially §80: “This exposition, viewed as a process of relating science to phenomenal knowledge, and as an inquiry and critical examination into the reality of knowing, does not seem able to be effected without some presupposition which is laid down as an ultimate criterion. For an examination consists in applying an accepted standard, and, on the final agreement or disagreement therewith of what is tested, deciding whether the latter is right or wrong; and the standard in general, and so science, were this the criterion, is thereby accepted as the essence or inherently real (*Ausich*).”
In presenting a philosophical demonstration of freedom in the modern social order, Hegel’s method is not simply to organize his observations of the activities of individuals and groups in a certain place and time based on a few impressions.\textsuperscript{11} The subject of \textit{PR}, as part of his broader philosophical system, is the concept of right as freedom of the will and its actualization—i.e., how it is made real within the relations of the modern social order.\textsuperscript{12} For example, right is not conceived as an abstract or external norm against which given social relations and institutions are compared, measured and evaluated. Rather, right is shown to emerge in the form and substance of society itself.

Hegel begins \textit{PR} with remarks on the distinctive character of philosophical knowing, and in doing so distinguishes between some different ways of knowing what social right is:

The truth concerning right, ethics and the state is at any rate as old as its exposition and promulgation in public laws, and in public morality and religion. What more does this truth require, inasmuch as the thinking mind [\textit{Geist}] is not content to possess it in this proximate manner? What it needs is to be comprehended as well, so that the content which is already rational in itself may also gain a rational form and thereby appear justified to free thinking. For such thinking does not stop at what is given, whether the latter is supported by the external positive authority of the state or of mutual agreement among human beings, or by the authority of inner feeling and the heart and by the testimony of the spirit which immediately concurs with this, but starts out from itself and thereby demands to know itself as united in its innermost being with the truth.\textsuperscript{13}

In this passage, Hegel argues the truth concerning right requires a form of knowing distinct from other forms, one in which the rational content of the truth of right enjoys a rational form, a form of knowing which Hegel suggests also has its own justification. Hegel goes on to distinguish philosophical knowledge and its justification from whatever the state of social

\begin{itemize}
  \item \textsuperscript{11} \textit{PR} §1.
  \item \textsuperscript{12} \textit{PR}, §2.
  \item \textsuperscript{13} \textit{PR}, Preface 11.
\end{itemize}
relations happens to be, even in cases where those are supported by authority, or broad consensus, or by one’s own intuition.

In her recent work, Hegel’s Phenomenology, the Dialectical Justification of Philosophy’s First Principles, Ardis Collins notes that Hegel’s distinguishing philosophical knowing from these other forms of knowing poses an important interpretive task to scholars:

[A]n interpretation of Hegel’s position on the distinctive character of philosophy, as elaborated in the introductory essays of the Philosophy of Right, must avoid two extremes: the reduction of philosophy to culture-based knowledge; and the reduction of philosophy to the necessities of the thinking subject.14

Instead Hegel argues that philosophical knowing stands in relationship to itself and has its own terms. The truth of right in the social order then cannot fundamentally be determined by historical happenstance or the cultural beliefs of a certain time or place, but by its own criterion—philosophically demonstrated necessity.

Such philosophically demonstrated necessity is encapsulated in Hegel’s well-known dictum from the preface of PR: “What is rational is actual; and what is actual is rational.”15

Hegel’s view is that philosophical proofs demonstrate the rationality of a subject matter; in the PR, that subject is the actualization of right in the modern social order.

Collins elaborates on the significance of this dictum for Hegel’s philosophical procedure, “When [Hegel] says in the Preface that the rational is actual and the actual is rational, he claims rationality not for everything that happens to exist but only for that which gives reality to the

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14Ardis Collins, Hegel’s Phenomenology: The Dialectical Justification of Philosophy’s First Principles (Montreal: McGill-Queens University Press, 2012), 57. See Chapter Three of this work for a careful analysis of the issues involved in Hegel’s justification of the beginning concept of right in PR and his method in its demonstration.

15PR, Preface 20.
rational.”16 This requires distinguishing contingent features of the social order in which right is actualized from the necessary features, in which reason finds its essential expression or actualization.

But this is challenging, because the way that reason is actualized can take on many forms, and to concern ourselves involved philosophical demonstration with too specific a level of the organization of those forms would have us leaving behind philosophy per se, i.e., the comprehension of the actualization of right, and entering into topics and concerns of a different field. Hegel puts it this way: “But the infinitely varied circumstances which take shape within this externality as the essence manifests itself within it, this infinite material and its organization, are not the subject matter of philosophy.”17 So philosophy is rather strictly limited in this way, with its own focus and mode of justification.

Later in the preface, Hegel articulates what his procedure will produce in demonstrating the truth of right in PR:

This treatise, therefore, insofar as it deals with political science, shall be nothing other than an attempt to comprehend and portray the state as an inherently rational entity. As a philosophical composition, it must distance itself as far as possible from the obligation to construct a state as it ought to be; such instruction as it may contain cannot be aimed at instructing the state on how it ought to be, but rather at showing how the state, as the ethical universe, should be recognized.18

Here Hegel further distinguishes the PR from an abstract ethical norm to which the state must conform itself. Instead, PR demonstrates how the state should be understood. These points will be helpful in understanding my argument for the significance of the problem in the PR, and


17PR, Preface 21.

18Ibid.
keeping distinguished the different interpretations of the problem of poverty in the literature.

**General Structure and Argument of Philosophy of Right**

Within Hegel’s broader philosophical system, *Philosophy of Right* is situated within the development of Objective Spirit, where “objective” indicates the actualized character of spirit, expressed as freedom, within the relations of society. The starting point of *PR* comes out of the preceding determinations in Hegel’s philosophy, with the beginning standpoint of the work—Abstract Right, the moment of the indeterminate, individual free will—having emerged from Subjective Spirit, the philosophical development of human consciousness, itself developed out of Hegel’s philosophy of nature.19

This section analyzes the general structure and argument of the *PR*, and then focuses on the civil society (*Sittlichkeit*) section of ethical life, at the point where civil society develops a transition to the state. The *Elements of the Philosophy of Right* (1821) is a textbook that Hegel prepared for his students to accompany his lectures. It is a monumental work of political philosophy, representing the first systematic attempt to incorporate the deepest theoretical insights of the modern period regarding the autonomy of the will with the realities of economics and politics, and to place these in the context of the way social principles and politics were understood in the field of philosophy going back to ancient Greece.20

At its core, *Philosophy of Right* is a work devoted to understanding how human freedom is actualized in the social order. As Charles Taylor explains, “*PR* explores what flows from the

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19 This basic structure can be seen in the form and content of the *Encyclopedia of the Philosophical Sciences*.

notion of rational will concerning human affairs. It goes beyond a simple political theory. It turns out to englobe also what Hegel calls civil society, and the family. But also it discusses the dimension of morality and private rights.”21 Thus it sits comfortably within the theoretical preoccupations of German idealism more broadly, which were heavily influenced and motivated by the French Revolution and the political and theoretical crises it provoked.

Rebecca Comay characterizes the relationship between the project of German idealism with its emphasis on autonomy and the French Revolution as “the virtual precursor and prolongation of the political event.”22 Karl Marx identified the condition of his country as having a belated economic and political development as compared to other European countries: “As the ancient peoples went through their pre-history in imagination, in mythology, so we Germans have gone through our post-history in thought, in philosophy. We are philosophical contemporaries of the present without being its historical contemporaries.”23

The text of the Philosophy of Right has a three-part structure, separated into the different modes of social relationships and their prevailing forms of consciousness: 1) abstract right, i.e., the social agency of the free individuality in relation to other free individualities; 2) morality and 3) ethical life (Sittlichkeit), the latter comprising the family, civil society and the state. In his analysis of ethical life Hegel develops the concept of right as relationships belonging to a social whole. The family’s unity and relationships are determined by feelings of love,24 whose unity

21Taylor, 1975, 428.


23Marx, MECW, 3, 180.

24PR §158.
established by marriage is expressed externally as family property, and whose unity is eventually broken up by the development of its children into self-sufficient, concrete persons.  

Civil society’s unity is determined by the mediation of the needs and interests of all the individuals (themselves members of families) with each individual pursuing his or her own needs and interests. And finally, there is the state, where the diverse and competitive pursuits of individuals and groups find resolution in a kind of national unity developed primarily through an ethos of citizenship. The main differences here are in the bases and relationships for each mode of social organization, with each having their own dynamic based in their respective members and priorities of organization.

Each of these kinds of relationships has intermediate levels or “moments” through which Hegel identifies and explicates the significance of certain social developments. Given the subject matter of PR and Hegel’s emphasis on the forms of right’s actualization in the world, these points of emphasis are often a type of institutional formation. Following the form of a retreat into a ground, each successive stage in the PR—abstract right, morality, civil society, the state—emerges as the essential philosophical precondition for of the developments that precede it. Through the development of PR, Hegel argues that morality is the ground of the moment that precedes it, abstract right, and that likewise the state is the ground of the moments that precedes it, civil society, morality and abstract right. The state is shown to be the essential philosophical

25 PR §181.

26 PR §182-83.

27 Adriaan Peperzak notes “when examining Hegel’s analysis of interpersonal relations or the social network that constitutes human society, we must not forget that he—with Aristotle—sees the community as more fundamental and more final than individual and interpersonal forms of freedom and right,” in Modern Freedom: Hegel’s Legal, Moral and Political Philosophy (Dordrecht: Kluwer Academic Publishers, 2001), 382.
condition for the emergence of the actual individual free will from the start, and the complex
relationships it establishes throughout the course *PR*. The position that the political order of the
state is the essential political precondition for the exercise of actual individual freedom is a
position shared by all three historical figures featured in this work—Hegel, Marx and Keynes—but Hegel’s argument is unique among them in aiming to demonstrate this as a logical or
philosophical precondition (and not only a precondition in time).

The initial standpoint of civil society emerges from the argument developed in the first
part of *PR*, abstract right. Abstract right itself begins with the indeterminate, free will and shows
how this will develops into an individual personality located in a modern social context. It is
important to be as clear as possible, however, about what individual personality means here: The
complex theological and political content of the concept of individual personality in German
philosophy in this period differs dramatically from the common contemporary liberal conception
of persons. Some understanding of this issue sheds light on the later developments in German
philosophy, including rejection of the centrality of the individual person in the political thought
of some of the most influential Young Hegelian thinkers, Marx included, as well as their
preoccupation with the influence of theological conceptions on political thought.28

In *PR*, the individual will expresses its freedom in the world through the institution of
property, which is then developed as the locus of both social agreement (Contract), and
violations of that agreement (Wrong). Contract and wrong actualize the beginning definition of
right. In this development of this form of property right, rights are dissolved into a dynamic in

28This conceptual nexus is the subject of Warren Breckman’s valuable work *Marx, the Young Hegelians,
and the Origins of Radical Social Theory*. 
which each individual’s assertion of right, in this individual form, violates the rights of others, who can then, as individuals with the same right, exact revenge. This threatens to establish only an endless cycle of assertion and vengeful reassertion after reassertion of individual right to property. This problematic calls for a richer definition of right, in this case a form justice in the face of wrong that is not simply justifiably vengeful. But this requires a form of will that wills its right and the redress of injury to it not simply as its own narrow, individual concern, but as representative of a social universal. And so out of this development, morality emerges, which transforms abstract right into a dynamic governed by a universal moral principle.29

Briefly, the main developments in the sphere of morality in PR take place in the dynamic between the rule of an abstract moral principle on the one hand and the arbitrary authority of conscientious conviction on the other. In this dynamic, the will, as conscience, can either make its principle the universal good, which is indefinite except as determined by the will itself, or it can choose its own arbitrary, particular interest. The former results in hypocrisy (i.e., simply asserting that what is good for oneself is also good for others), while the latter results in the assertion of subjective self-interest as an absolute.30 This problematic is inescapable without an actually existent universal, which emerges as the shared life of a community—ethical life (Sittlichkeit).

In the transition from morality to the broader social sphere of ethical life (Sittlichkeit), which comprises the relationships of the family, civil society and the state, Hegel summarizes what has been revealed as the truth of ethical life in this procedure:

29PR §§90-103.
30PR §§134-140.
For the good as the substantial universal of freedom, but still as something abstract, determinations of some kind are therefore required, as is a determining principle (although this principle is identical with the good itself). For the conscience likewise, as the purely abstract principle of determination, it is required that its determinations be universal and objective. Both of them [i.e., the good and the conscience], if raised in this way to independent totalities, become the indeterminate which ought to be determined. But the integration of these two relative totalities into absolute identity has already been accomplished in itself, since this very subjectivity of pure self-certainty, melting away for itself in its emptiness, is identical with the abstract universality of the good; the identity which is accordingly concrete of the good and the subjective will, the truth of them both, is ethical life.31

And ethical life (Sittlichkeit) itself is the expression of freedom in the modern social world:

Ethical life is the idea of freedom as the living good which has its knowledge and volition in self-consciousness, and its actuality through self-conscious action. Similarly, it is in ethical being that self-consciousness has its motivating end and a foundation which has being in and for itself. Ethical life is accordingly the concept of freedom which has become the existing world and the nature of self-consciousness.32

In turning to the terminology Hegel has selected—Sittlichkeit—one immediately notes that, in addition to morality, a society’s customs and mores (Sitten) are also involved. In the vital opening sections of ethical life (Sittlichkeit), which are technically still part of the transition from the standpoint of abstract right and morality to its ground, the broader and more essential standpoint of ethical life, Hegel makes the case for the primacy of the community in relation to the individual.33

The essence of ethical life then is the orientation of the subjective will to the social good. In the remark to §141, Hegel notes it is the abstract and indeterminate character of both the

31PR §141.
32PR §142.
33PR §§142-56; Peperzak, 384-390.
ground and the subject—the good, which ought to be, and the (equally abstract) subjectivity
which ought to be good, respectively—that are key to the transition from morality to ethical life
(Sittlichkeit), and make up the theoretical starting point for the sections on the family, which is
the first moment of ethical life (Sittlichkeit), and forms the basis of the social order in PR.34

In his 2000 biography Hegel, Terry Pinkard describes the basic relationship between the
form and content of ethical life (Sittlichkeit), beginning quite appropriately with where Hegel
departs from Kant:

If we are to have any concrete first principles for moral reasoning that specify what is
ultimately good and best for us, we must grasp them not as specifications of some
“master rule” but as elements of a social practice, ways in which we prereflectively learn
to orient and move ourselves around in the social world. Such prereflective self-situating
gives us an implicit grasp of our sense of who we are, our “project” for our lives, without
our having first chosen, explicitly or implicitly, that project; and the “ethical life,”
Sittlichkeit, within which we orient ourselves must then be capable of sustaining
allegiance to itself when put under the glare of reflection on its rationality, which for “we
moderns” means that it must be capable of being understood also as a realization of
freedom.35

Naturally, children in families grow up and enter the wider social world. In the
subsequent moments of ethical life (Sittlichkeit) freedom is expressed in two partially
overlapping spheres of social relationships, the ground for the earlier stages of abstract right and
morality. These are civil society, which includes the system of needs, the administration of
justice and the public authority, and the corporations,36 the limitations of which reveal civil

34 The family’s role here in establishing the ethical basis of the state serves as an analogy for the
corporation’s in the transition from civil society to the state; the latter transition is the focus of this chapter (PR
§249-56). Hegel directly states both institutions play a critical role in establishing the “ethical roots” of the state, but
in slightly different ways (PR §254). I will look more closely at this later in the chapter.


36 PR §188. Corporations here have a meaning distinct from the contemporary usage. In the older sense of
the term Hegel is employing, corporations are professional organizations in which those people working in an
industry unite or incorporate for the security and advancement of the interests of its members working in that
society to be only a partial actualization of ethical life (Sittlichkeit); and the state, which includes constitutional law outlining the division of political power within the state, and then that without, or international relations, and the role of the state in the broader sweep of world history.37

Briefly, prior to the following fuller analysis of the issues unfolding in civil society and the problem of poverty that emerges in it, the general dynamics of civil society are as follows. Self-consciousness at the starting point of the development of civil society emerges out of the family (as the self-sufficient individual offspring). It is within these moments the problem of poverty emerges. But prior to focusing on that problem, let us finish the transition from civil society to the state so that the arc of Hegel’s argument is preserved.

Civil society38 is the arena of social relations in which the will is free in and for itself, i.e., self-consciousness is free and understands its free determination as its own end, just as a profound and inescapable social interdependency also emerges. Self-consciousness’s developing awareness of that interdependence is what drives the argument in the sections on ethical life (Sittlichkeit). The three moments of civil society are, beginning with the most particular and moving toward more universal forms of self-consciousness: 1) the system of needs, in which the needs of the individual and their satisfaction through that individual’s work is mediated by the work and the needs satisfaction of all others (this includes the institution of the estates); 2) the

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37PR §259.

38Riedel notes that Hegel’s definition of civil society is specifically directed at those who may confuse civil society with the state by defining the state according to partnerships among individuals; this is true only of civil society governed by the individual will. See PR §182A in Riedel, 133. “[T]he critical objection to modern natural law theory means that the state is not the state if it always merges with civil society, and the latter is not ‘society’ when it is ‘political’ society, or the state (Ibid). In other words, the terms of their relative separation and basic interrelationship are critical.”
administration of justice, in which the actualization of freedom in the system of needs is universally acknowledged in positive law, an initial moment that the highly particularized form of self-consciousness in civil society is returned to the social universal; and 3) the police and the corporations, institutional provisions against contingency or arbitrariness in the capacity to work and satisfaction of needs that can still arise.

In the first moment, emerging in the system of needs are the estates in which those individuals working in different economic sectors are grouped according to the content of their work (and the mentality or form of consciousness it tends to produce), the agricultural (substantial), trade and industry (reflective), and the universal estate (universal) which administers the business of the society as a whole in the interest of the universal.

In the second moment, it is critical to the development of the administration of justice that law in civil society be universally known as the objectification of right. Right is first merely posited, applied to the material of civil society, which Hegel argues makes it applicable to the individual case. A dynamic opens up in which simple, universal determinations are needed for public code, but the nature of the material of civil society is finite and endless determinations are possible. As right becomes law in civil society, so too does individual right, the existence of which is recognized as part of the existent universal will and knowledge.

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39 PR §§188, 209, 229.
40 PR §§201-205.
41 PR §215.
42 PR §213-214.
43 PR §216.
44 PR §217.
Property and persons enjoy legal recognition and validity in civil society, so crime is no longer an injury merely to a subjective infinite, but to the universal cause.\(^{45}\) Thus it seems, “An injury to one” can “be an injury to all,” as action can harm the social whole.

In the third moment, the police denotes a public authority (a second moment where self-consciousness is returned to the universal or social whole).\(^{46}\) Hegel describes it as a universal family, tasked with the security of members of the society who fall into difficult circumstances, and includes also the education of children where the parents are unable. The corporations are also a third moment in civil society in which self-consciousness is returned to the universal or social whole, and one in which the particularity of the form of work as the condition of the meeting of needs becomes the basis of the institution of the corporation, an institution that secures households involved in work in a certain industry, and which itself is a member of the society in general.\(^{47}\) This unifies the individual self-interest with an aspect of the interest of the social whole, i.e., an industry or line of work, in a concrete way.\(^{48}\) But the ends of the police (public authority) and the corporation are still limited, both in the forms of consciousness they develop and also their institutional aims, in securing the property, freedoms and interests of individuals,\(^{49}\) ends that are not identical with the end of the social whole as a totality.\(^ {50}\) It is at this point that Hegel argues for the transition from civil society to the state, where the universal

\(^{45}\) *PR* §218.

\(^{46}\) *PR* §§239, 288.

\(^{47}\) *PR* §253.

\(^{48}\) *PR* §255.

\(^{49}\) *PR* §258.

\(^{50}\) *PR* §256.
social interest is known, willed and pursed as the individual’s own end.\textsuperscript{51}

Hegel describes this transition and the relationships between the other moments in \textit{PR} in the following way:

The state is the actuality of concrete freedom. But concrete freedom requires that personal individuality and its particular interests should reach their full development and gain recognition of their right for itself (within the system of the family and of civil society), and also that they should, on the one hand, pass over of their own accord into the interest of the universal, and on the other, knowingly and willingly acknowledge this universal interest even as their own substantial spirit, and actively pursue it as their ultimate end. The effect of this is that the universal does not attain validity or fulfillment without the interest, knowledge, and volition of the particular, and that individuals do not live as private persons merely for these particular interests without at the same time directing their will to a universal end and acting in conscious awareness of this end. The principle of modern states has enormous strength and depth because it allows the principle of subjectivity to attain fulfillment in the self-sufficient extreme of personal particularity, while at the same time bringing it back to substantial unity and so preserving this unity in the principle of subjectivity itself.\textsuperscript{52}

The state has several aspects, the actual, individual state and its internal relations; the interrelationship of states internationally; and the state as universal, or genus, as it becomes actual in history.\textsuperscript{53} The relevant aspect here is the first, the state’s internal relationship to its parts. The end of the state is the universal interest as such, and all the particular interests within that, and that this is a known and conscious relationship in the society as a matter of education.\textsuperscript{54}

In the states internal relations are the legislative, executive and sovereign powers; the first two are relevant here. The particular common interests of civil society are not identical with and lie outside of the universal interest of the state, and the organizations of civil society, the

\textsuperscript{51} \textit{PR} §260.
\textsuperscript{52} \textit{PR} §260.
\textsuperscript{53} \textit{PR} §259.
\textsuperscript{54} \textit{PR} §270.
corporations and the estates, whose administrators are charged with looking after the interests of their constituents, but these organizations must also be subordinated to the higher interests of the state, and so the administration of the executive will include popular elections and the confirmation of their outcome by state authority.\textsuperscript{55}

In understanding the way Hegel’s conception of the state actualizes freedom where the other spheres of social life fall short, Peperzak emphasizes that the modern state “is the only institution in which the principle of “universal” and “substantial” unity of the community coincides with the principle of subjectivity, according to which all individuals have the right to realize their own interests.”\textsuperscript{56} The “substance of the state” is in its providing the basis of the rights of its members, who through their behavior themselves constitute the state’s own subjectivity, and know this and will this as an end in itself, which secures the state’s unity and cohesion.\textsuperscript{57}

It is precisely this unity and cohesion that hang in the balance if civil society cannot or does not establish a substantial coincidence between the realizing individual interests and those of the social whole. This is at base the challenge posed by the “problem of poverty” in the \textit{PR}. But it is the subtleties in both Hegel’s analysis and his proposed resolution of the problem that reveal additional complications for the system of right, which can better inform those looking to \textit{PR} for solutions to the problem of poverty today.

\textsuperscript{55}PR §288.

\textsuperscript{56}Peperzak, 475-476.

\textsuperscript{57}Ibid.
The “Problem of Poverty” in the Philosophy of Right

The “problem of poverty” emerges in the civil society moment of ethical life 
(Sittlichkeit), the sphere of socioeconomic relationships, specifically under the heading of what is justified for the public authority. Riedel notes that Hegel’s definition of civil society is specifically directed at those who may confuse civil society with the state by defining the state according to partnerships among individuals; this is true only of civil society governed by the individual will. The problem of poverty is a set of social problems that Hegel works through, in outline, in order to demonstrate what follows when 1) the characteristically self-interested socioeconomic activity of civil society goes on “unimpeded,” i.e., unmediated by broader, more universal—and, most importantly, political—considerations; and 2) when specific measures are taken to address the problems that emerge, enacted within the confines of the relations and forms of consciousness of civil society alone.

The social inequality dynamic is broadly relevant today and, naturally, any well-developed account of these issues should attract significant attention. This section will expose how Hegel argues through the problem. It will be followed by a section on how he has been interpreted in various ways to have successfully or unsuccessfully resolved it.

In Hegel’s view, the mode and relations of production are not beneath philosophical consideration. On the contrary, the system of needs and resources demonstrates “how human

58 PR §§182-256, Enzy. §§523-38. Civil society is characterized politically by Rosenzweig as Hegel’s “middle zone,” the arenas of social intercourse between the state and pre-political man, cited in Avineri, 96.

59 PR §182A in Riedel, 133, “[T]he critical objection to modern natural law theory means that the state is not the state if it always merges with civil society, and the latter is not ‘society’ when it is ‘political’ society, or the state. (Ibid.) In other words, the terms of their relative separation and basic interrelationship are critical.

60 PR §243.
needs, as particularizations of the human spirit, can generate civilization.”61 At the point of its introduction in PR, civil society is characterized by the will—free in and for itself—pursuing its own self-interested ends in the system of needs, work and resources, where the means of life are produced and reproduced, and where one finds social development and satisfaction.62 Taylor summarizes this dynamic nicely: “Needs can multiply without end. But in doing so, they force an even more intense social co-operation. The greater production needed requires a farther reaching division of labour. It also pushes man to greater work; and hence to work in more complex relations and systems of interdependence. This also helps to form man, to educate him to the universal.”63 The universal to which Taylor refers is the truth of the civil society, that the welfare of all is established in the pursuit of the self-interest of each. But as we have seen in outline already, this is no automatic process.

Here we focus on the sections covering civil society in the transition to the state, where Hegel demonstrates how the condition for each to meet self-interested ends emerges as the condition for all to do so.

The concrete person who, as a particular person, as a totality of needs and a mixture of natural necessity and arbitrariness, is his own end, is one principle of civil society. But this particular person stands essentially in relation [Beziehung] to other similar particulars, and their relation is such that each asserts itself and gains satisfaction through the others, and thus at the same time through the exclusive mediation of the form of universality, which is the second principle.64

The selfish end in its actualization, conditioned in this way by universality, establishes a system of all-round interdependence, so that the subsistence [Subsistenz] and welfare of

61Peperzak, 445.
62PR §§182-208.
63Taylor, 433.
64PR §182.
the individual \([des\ Einzelnen]\) and his rightful existence \([Dasein]\) are interwoven with, and grounded on, the subsistence, welfare\(^65\), and rights of all, and have actuality and security only in this context. One may regard this system in the first instance the external state, the state of necessity, and of the understanding.\(^66\)

Hegel continues:

When it is divided in this way, the Idea\(^67\) gives a distinct existence \([Dasein]\) to its moments—to particularity it gives the right to develop and express itself in all directions, and to universality the right to prove itself as both the ground and the necessary form of particularity, and as the power behind it and its ultimate end. It is the system of ethical life, lost in its extremes, which constitutes the abstract moment of the reality of the Idea, which is present here only as the relative totality and inner necessity of this external appearance.\(^68\)

The beginning standpoint of civil society is the concrete person—with determinate needs, talents, desires and socioeconomic interests—encountering a social world full of others who, like themselves, are pursuing their own needs, interests, talents and desires. This context of socioeconomic activity, though consciously directed only at the satisfaction of the individuals’ and their families’ own needs and personal goals, make up the exclusive means by which everyone’s needs are to be satisfied.\(^69\) In other words, the dynamic at this point is that pursuit of the self-interested goals and ends by the individual is the condition for the satisfaction of all individuals. But the universal condition of self-interested pursuits at the opening of civil society is the condition for the satisfaction of all is not yet fully recognized and known by self-consciousness, a knowledge or recognition of which it will develop in the course of the

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\(^{65}\)Welfare refers to welfare as social universal, i.e., welfare is welfare for all. \(PR\) §129.

\(^{66}\)\(PR\) §183.

\(^{67}\)Idea here refers to the unity of the concept of the will in its development, with the particular will.

\(^{68}\)\(PR\) §184.

\(^{69}\)\(PR\) §182.
development of the argument in civil society.

In his conception of the general operation of the system of needs and work, Hegel incorporates the views of the classical political economy of his day, even as he modifies and transforms those to account for the complexity of the social relations involved and his own priorities—namely, the integration of the interests of the individual self-consciousness with the interests of the social whole. In writing *PR*, Hegel was I think making his own criticisms of and contribution to contemporary thinking on political economy, and in doing so he stood out among his contemporaries.\(^\text{70}\) Avineri emphasizes that this feature of Hegel’s theory of civil society is not accidental:

Thus civil society reaches its apex—and it is here that Hegel integrates the Smithian model of a free market into his philosophical system, by transforming Smith’s ‘hidden hand’ into dialectical reason working in civil society, unbeknownst to its own members. Self-interest and self-assertion are the motives of activity in civil society; but these can be realized by the individual only through inter-action with others and recognition by them…\(^\text{71}\)

This is the role political economy plays in Hegel’s system. The political economists are mistaken when they represent their limited reasoning as an ultimate explanation of human behavior. Yet there is more to political economy than meets the eye or than political economists themselves are aware of. Economics is the handmaid of reason acting in the world…\(^\text{72}\)

Avineri’s view then is Hegel was not making a contribution to the field of economics as such, but rather synthesizing social, historical, economic, political conceptions into his system.

\(^\text{70}\)This is noted by Shlomo Avineri and Manfred Riedel. “Hegel’s assimilation of the most advanced theories of political economy, as found in the classical British thinkers from James Steuart to Adam Smith, and in the *Philosophy of Right* of 1821, David Ricardo, had no parallel in German idealistic philosophy.” Riedel, 108.


\(^\text{72}\)Ibid., 147.
This view is certainly consistent with what I have tried to establish as Hegel’s priorities in *PR*, the interpenetration of the interests of the individual free will with that of the modern social whole.

Lukacs also offered a view on Hegel’s aim in producing such a synthesis:

Hegel did not produce a system of economics within his general philosophy, his ideas were always an integral part of his general social philosophy. This is in fact their merit. He was not concerned to produce original research within economics itself (for this was not possible in Germany at the time), but instead he concentrated on how to integrate the discoveries of the most advanced system of economics into a science of social problems in general. Moreover—and this is where we find the specifically Hegelian approach—he was concerned to discover the general dialectical categories concealed in those social problems.\(^7\)

These perspectives on Hegel’s overall aims help to maintain focus on Hegel’s line of argumentation. As we will see, Hegel argues for a form of subordination of the individual pursuit of economic interests to the needs and interests of the social whole, and not vice versa, but how he does this and how it is justified is the priority in the present work. We have seen this in outline already, but the specifics of the problem itself and its various interpretations pose obstacles to a totally clear view on it.

The “problem of poverty” in *PR* refers to multiple dimensions of social inequality and the political attitudes that attend them that emerge in the middle stage of civil society. It is important to clearly define what Hegel means by the term, as common-sense usage of the term “poverty” is often an abstraction—a social given that may or may not pose some ethical or political challenge, with little indication of the full scope of deprivation involved or its social and political implications. Hegel’s “problem of poverty” does not suffer from this sort of narrowness. Instead,

capturing its full implications is the challenge.

In order to give some historical insight into the number of related social conditions Hegel has in mind in the *PR*, consider the following excerpt from Lord Byron’s February 1812 speech opposing legislation to make frame breaking a capital crime, given before the English House of Lords. The bill was passed, and the Luddites hanged:

Such was then the state of that county, and such I have reason to believe it to be at this moment. But whilst these outrages must be admitted to exist to an alarming extent, it cannot be denied that they have arisen from circumstances of the most unparalleled distress. The perseverance of these miserable men in their proceedings, tends to prove that nothing but absolute want could have driven a large and once honest and industrious body of the people into the commission of excesses so hazardous to themselves, their families, and the community. At the time to which I allude, the town and county were burdened with large detachments of the military; the police was in motion, the magistrates assembled, yet all these movements, civil and military had led to—nothing. Not a single instance had occurred of the apprehension of any real delinquent actually taken in the fact, against whom there existed legal evidence sufficient for conviction. But the police, however useless, were by no means idle: several notorious delinquents had been detected; men liable to conviction, on the clearest evidence, of the capital crime of poverty; men, who had been nefariously guilty of lawfully begetting several children, whom, thanks to the times!—they were unable to maintain. Considerable injury has been done to the proprietors of the improved frames. These machines were to them an advantage, inasmuch as they superseded the necessity of employing a number of workmen, who were left in consequence to starve. By the adoption of one species of frame in particular, one man performed the work of many, and the superfluous labourers were thrown out of employment. Yet it is to be observed, that the work thus executed was inferior in quality, not marketable at home, and merely hurried over with a view to exportation. It was called, in the cant of the trade, by the name of Spider-work. The rejected workmen, in the blindness of their ignorance, instead of rejoicing at these improvements in arts so beneficial to mankind, conceived themselves to be sacrificed to improvements in mechanism. In the foolishness of their hearts, they imagined that the maintenance and well doing of the industrious poor, were objects of greater consequence than the enrichment of a few individuals by any improvement in the implements of trade which threw the workmen out of employment, and rendered the laborer unworthy of his hire. And, it must be confessed, that although the adoption of the enlarged machinery, in that state of our commerce which the country once boasted, might have been beneficial to the master without being detrimental to the servant; yet, in the present situation of our manufactures, rotting in warehouses without a prospect of exportation, with the demand for work and workmen equally diminished, frames of this construction tend materially to aggravate the distresses and discontents of the disappointed sufferers. But the real cause
of these distresses, and consequent disturbances, lies deeper. When we are told that these men are leagued together, not only for the destruction of their own comfort, but of their very 'means of subsistence, can we forget that it is the bitter policy, the destructive warfare, of the last eighteen years, which has destroyed their comfort, your comfort, all men's comfort—that policy which, originating with "great statesmen now no more," has survived the dead to become a curse on the living unto the third and fourth generation!

These men never destroyed their looms till they were become useless, worse than useless; till they were become actual impediments to their exertions in obtaining their daily bread. Can you then wonder, that in times like these, when bankruptcy, convicted fraud, and imputed felony, are found in a station not far beneath that of your Lordships, the lowest, though once most useful portion of the people, should forget their duty in their distresses, and become only less guilty than one of their representatives?74

After an analysis of the problem of poverty in some detail, I will refer to other works that contribute to a more complete account of Hegel’s position on the poverty issue: the

*Jenarealphilosophie*, also published in English as *Philosophy of Spirit*, and the Berlin lectures of 1819/20, which provide additional and detailed insight into some of the issues motivating Hegel’s treatment of the problem.

The logic of the problem in Hegel’s account reveals poverty to be a political and an economic problem, but which must be resolved primarily through political means, and then that only at the most developed stages of social intercourse, in the later parts of civil society and at the level of state organization. The apparent unevenness in Hegel’s thinking here—one hand, his profound insight into the basic inequality dynamic of capitalism, and on the other, his choice to subordinate the emerging class divisions through the adoption of specific institutional solutions to the problem of poverty—are, I believe, due to both the limitations of his time (economically speaking) and also to his philosophical and political priorities as set out in *PR* (philosophically speaking).

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However, even though the \textit{PR} is limited in this way, this does not mean “problem of poverty” is simply “unresolved” in \textit{PR}—as I hope is clear, and I can argue for further. Moreover, the fact of its formal resolution on Hegel’s view may even be one of the less interesting questions that comes out of the long and ongoing conversation on the topic.

Hegel's analysis of the problem of poverty captures the social inequality dynamic of the modern period in a full sense: the growing material and social deprivation of working people, i.e., those not in the owning class, amid the expanding wealth of the few who are. This is a polar dynamic, the creation of want amid unprecedented social wealth, and Hegel expresses its source in production, and its problematic and even paradoxical character in §245:

If the direct burden of support were to fall on the wealthier class, or if direct means were available in other public institutions (such as wealthy hospitals, foundations or monasteries) to maintain the increasingly impoverished mass at its normal standard of living, the livelihood of the needy would be ensured without the mediation of work; this would be contrary to the principle of civil society and the feeling of self-sufficiency and honour among its individual members. Alternatively, their livelihood might be mediated by work (i.e. by the opportunity to work) which would increase the volume of production; but it is precisely in overproduction and the lack of a proportionate number of consumers who are themselves productive that the evil consists, and this is merely exacerbated by the two expedients in question. This shows that, despite an excess of wealth, civil society is not wealthy enough—i.e. its own distinct resources not sufficient—to prevent an excess of poverty and the formation of a rabble.

One sees here both economic and social reasons offered for why the most obvious efforts at inequality mitigation are unacceptable. Overproduction is the proximate cause of the problem. To address it with charity denies those affected the dignity of work, the contribution of which is the basis for access to the general pool of resources. To guarantee the opportunity to work only exacerbates the problem of overproduction.

It is clear that this dynamic is immanent to civil society, because of the forms of productive activity and the forms of consciousness that dominate that arena of life. But the
problem is also socially corrosive, as those affected are denied access to and enjoyment of the full measure of what society has to offer, the substantial basis for social solidarity. This rejection of the value of one’s efforts, and exclusion, can easily turn to indignation and revolt, as one sees in the mentality characterizing a rabble. It is important to note also that the “problem of poverty,” including the rabble mentality, not only affects the poor, but those on the opposite pole of inequality; it is also expressed by those who become very rich, albeit in different ways. Wealth and poverty as a problem of inequality appear to be structurally interrelated on Hegel’s view. This is another aspect of his analysis that feels strikingly contemporary, even after close to 200 years.

The aspect of the problem of poverty as a matter of social attitude has to do with the development of self-consciousness at the beginning standpoint of ethical life (Sittlichkeit). Hegel describes the problem as rooted in the relative arbitrariness of the will at this stage of development, and the multiple forms of contingency created in a system where individual needs must be met by the pursuit of self-interested aims, and using only the resources one may have at their individual disposal:

The possibility of sharing in the universal resources – i.e., of holding particular resources – is conditional upon one’s own immediate basic assets (i.e. capital) on the one hand, and upon one’s skill on the other; the latter in turn is itself conditioned by the former, but also contingent circumstances whose variety gives rise to differences in the development of natural physical and mental aptitudes which are already unequal in themselves… these differences… necessarily result in inequalities in the resources and skills of individuals.76

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75 Frank Ruda’s Hegel’s Rabble (2012) explores the creation and ethical implications of the rich rabble and the poor rabble for Hegel’s social philosophy, the latter of which are immeasurably worse off, mainly due to their separation from property, in addition to being unbound by rights or duties. The work answers the question, What can the poor rabble lose when it has already nothing?, with “personhood.” Ruda argues the disturbing conclusion that the poor rabble’s social position and hostility towards right reduces it to animal life.

76 PR §200.
He also notes:

Not only arbitrariness, however, but also contingent physical factors and circumstances based on external conditions may reduce individuals to poverty. In this condition, they are left with the needs of civil society and yet—since society has at the same time taken from them their natural means of acquisition, and also dissolves the bond of the family in its wider sense as a kinship group—they are more or less deprived of all the advantages of society, such as the ability to acquire skills and education in general, as well as of the administration of justice, health care, and often even the consolation of religion. For the poor, the universal authority takes over the role of the family with regard not only to their immediate deficiencies, but also to the disposition of laziness, viciousness, and the other vices to which their predicament and sense of wrong give rise. . . .

When the activity of civil society is unrestricted, it is occupied internally with expanding its population and industry. On the one hand, as the association of human beings through their needs is universalized, and with it the ways in which means of satisfying these needs are devised and made available, the accumulation of wealth increases; for the greatest profit is derived from this two-fold universality. But on the other hand, the specialization and limitation of particular work also increase, as do likewise the dependence and want of the class which is tied to such work; this in turns leads to an inability to feel and enjoy wider freedoms, and particularly the spiritual advantages of civil society.

The self-interested particularity of the will is a central feature of the “problem of poverty” here. As we saw in the opening sections of civil society, arbitrariness is characteristic of self-consciousness at this stage of PR, which as we have seen, is, at once and everywhere, pursuing what it—in its extreme particularity—wants, needs and desires, and creating whatever it is it happens to create as a contribution to the vast world of goods and services.

Charles Taylor offers a sharp characterization of this aspect of PR: “For this clear-sighted view of the inherent tendencies of the economic system founded on the division of labor and

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77PR §241.

78PR §243.

79Matthew Smetona refers to the poverty dynamic as a “spurious infinity,” in “Hegel and Marx on the Spurious Infinity of Modern Civil Society,” Telos 2014, no. 166 (2014): 246-266. He argues, contrary to any who would claim that Hegel endorses the free market, that the “problem of poverty” in PR reveals Hegel’s position to be that the dynamic of the free market is both unacceptably arbitrary and powerfully destructive when permitted to operate on its own.
exchange did not alter Hegel’s conception of it as an essential dimension of modern society. Hegel goes on seeing the 'invisible hand' as an instrument of the cunning of reason even while grasping its appalling inadequacy to produce a just society, or even save society from dissolution.”

The objects of production and consumption are not in any way yet conformed to the fact that all needs and desires are to be met through that same activity. Indeed, there is very little rational about a limitless pursuit of self-interest. This issue, among others that arise in the nexus of problems comprising the problem of poverty, is to be addressed by the corporation.

Where expansion of industry, and the resulting dispossession and loss are driving the growth of poverty, a distinctive social phenomenon can emerge—a rabble:

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 notes further how the cause of the problem is directly connected with the concrete means by which the society’s needs are met, and which is the same process as wealth accumulation. There is also a problem noted for the forms of labor involved—an increasingly simplified division of labor that limits the scope of one’s regular activities and thinking, as well as access to education and culture.

Again, what is ultimately at stake with the “problem of poverty” is the denial of a growing mass of the population its rightful capacity to take part in the core freedoms of the

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80 Taylor, 437.
81 PR §244.
society—and at the level of civil society, these include all the elements of social and political life: work, education, political representation, religion, etc. The implications of being cut off from these arenas of activity, either through one’s form of work or joblessness, are profound. They result in material and social deprivations, and these find expression in the thinking of the people, as social dispositions or attitudes.

Hegel’s development of the “problem of poverty” is not only diagnostic. In PR he examines a total of seven means by which different aspects of the problem might be mitigated. These are: 1) treatment by civil society itself, 2) public begging, 3) the right of distress, 4) colonization, 5) redistribution of labor, 6) the corporation and its consumption-ethos, and finally, 7) the police and religion (i.e., charitable institutions).

In the PR, upon examination of each of the potential “solutions” he treats, Hegel demonstrates one through five to be unsuitable, inadequate or exacerbatory of the problems, through either impeding the basic dynamic of the system of resources or diminishing the rights and freedoms of those involved.

The question is, where do such institutions operate that might affect social and political

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82 PR §245.
83 PR §245R.
84 PR §247-248.
85 Ibid.
86 PR §245-248. I am indebted to Ruda in part for this enumeration of these potential solutions Hegel tests. (It seems common for scholars to group these differently based on their emphasis.)
87 It is notable in the Berlin lectures, Hegel appears to hold hope for colonization that he does not in the text of PR. Berlin, 1819/20, 208.
consciousness in a way that can moderate the economic and political features of civil society? This brings us to two moments Hegel believes to be essential elements in resolving the problem of poverty: the police and the corporation.\(^88\) The police, i.e., public authority, exists to secure the livelihood and welfare of individuals and households, which comes as a development of the administration of justice regarding property and personality which can be harmed outside of one’s control.\(^89\) The corporation (not of the sort contemporary to our time, but which had been common in Europe prior to the French Revolution) exists under the supervision of the public authority, Hegel writes, and assumes the role of a second family for its members.\(^90\) It is also concerned with particularity in worklife, and so Hegel notes it is best suited to the estate of trade and industry, rather than agriculture or social administration.\(^91\) Each, the police and corporation, play a role in the development of social consciousness in individuals. In the police, the welfare of the individual is known to be secured as a part of the general interest. That consciousness involved with the corporation develops self-consciousness and social relationships that develop further toward citizenship in the state by connecting the particularity of the form of worklife and activity of the individual to the social whole as understood as one critical part of the dependency created in the system of needs.

Now, appealing to the corporation as a solution to the problem of poverty is indeed a strange move, which I will turn to next, but it is the integrative and mediating moment in the

\(^{\text{88 PR §230-256.}}\\
^{\text{89 PR §230.}}\\
^{\text{90 PR §252.}}\\
^{\text{91 PR §250.}}\)
transition from the of civil society to the second aspect of the consciousness problem: where self-consciousness becomes concretely, through its own activity as an individual and as a person involved in a certain industry or line of work along with others, aware of the web of universal interdependency in which it is enmeshed with respect to the system of needs and resources that is important here. That these moves, from the free individual in civil society, to the estate, to the corporation, towards citizenship and the state in PR are preceded by the enormously high-stakes intractability of the “problem of poverty” only emphasizes the corporation’s necessity from the standpoint of the central problem of this part of the system of right—that is, for Hegel—the recognition that self-consciousness must have an awareness of the social reality of its own condition, that the pursuit of individual ends as the means by which the welfare of all is secured will not occur solely via the magic of the invisible hand. Instead, it will occur through the expanding role of social consciousness in the social context that provides a more accurate and informed view of the actual context of free will in the world of right.

The corporation is the central institutional means by which Hegel proposes to mitigate the social inequality civil society tends to produce. The corporation was an anachronism even in Hegel’s own time, but it plays a signal role in mediating the extreme individualism forming the basis of the political order established by the French Revolution, which Hegel perceived as

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92 The corporations had long been outlawed in France at the time Hegel was writing, but not all such forms had been wholly eradicated in Europe. Hegel would have been familiar with the British East India Company, for example. Furet captures what Hegel is concerned with in civil society when he writes of the August Decrees of 1789: “They destroyed aristocratic society from top to bottom, along with its structure of dependencies and privileges. For this structure they substituted the modern, autonomous individual, free to do whatever was not prohibited by law…. The Revolution thus distinguished itself quite early by its radical individualism.” Francois Furet and Mona Ozouf, The Critical Dictionary of the French Revolution, trans. Arthur Goldhammer (Cambridge: Harvard College, 1989), 112.
destructive and leading to a terror.\textsuperscript{93} What is critical for \textit{PR} is that a corporation functions as a way to unify the self-interested pursuit of individuals according to their economic sector, by creating a voluntary association that aligns with the self-interested pursuit of individuals in a way that brings them into a more complete understanding of their social interdependence. Thus what the “unimpeded” dynamic of civil society is desperately in need of to overcome the greatest threat stemming in the problem of poverty, overproduction, is some way to overcome the myopic and atomized consciousness that characterizes civil society.

Hegel explains how the corporation can achieve this. Corporations in his time were legally recognized voluntary associations formed on various bases: a trade or field of work, a township (these survive in our time in a very limited form as the municipal corporation), religious affiliation, or possibly some other interest. The institution performs the general function of structuring the otherwise limitless pursuit of self-interest, and does so in a way that does not contradict the basic dynamic of the system of needs or the rights and freedoms of citizen. It achieves this in a way that reveals its justification, and the comparatively base character of \textit{pure} self-interest at this point in civil society:

In the corporation, the family not only has its firm basis in that its livelihood is guaranteed, i.e., it has secure resources, on the condition of its possessing a certain capability, but the two [i.e. livelihood and capability] are also recognized, so that the member of a corporation has no need to demonstrate his competence and his regular income and means of support – i.e. the fact that he is somebody – by any further external evidence. In this way it is also recognized that he belongs to a whole which is itself a

\textsuperscript{93}This criticism is famously captured in the \textit{Phenomenology of Spirit}: “Before the universal can perform a deed, it must concentrate itself into the One of individuality and put at the head an individual self-consciousness; for the universal will is only an actual will in a self, which is a One. But thereby all other individuals are excluded from the entirety of this deed and have only a limited share in it, so that the deed would not be a deed of the actual universal self-consciousness. Universal freedom therefore can produce neither a positive work nor a deed; there is left for it only negative action; it is merely the \textit{fury} of destruction.” (PhG §589) It is also found in PR §5, where Hegel notes that when the free will is defined as the flight from any determination, it is purely negative and abstract. If the will defines itself without respect to any preceding determination, it opens up the possibility of defining itself negatively in actuality, i.e. by destroying what is in order to establish proof of its own existence.
member of society in general, and that he has an interest in, and endeavours to promote, the less selfish end of this whole. Thus he has honour in his estate.

As a guarantor of resources, the institution of the corporation corresponds to the introduction of agriculture and private property in another sphere. When complaints are made about that luxury and love of extravagance of the professional classes which is associated with the creation of a rabble, we must not overlook, in addition to other causes of this phenomenon (e.g., the increasingly mechanical nature of work), its ethical basis as implied in what is said above. If an 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 honor of belonging to an estate, his isolation reduces him to the selfish aspect of his trade, and his livelihood and satisfaction lack stability. . . 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. . .

We see here that the corporation has a kind of citizenship, in being legally recognized, and is responsible for formally licensing its members’ public reputations. It is also responsible for securing the needs of the members in a way that does not violate the right of any persons or exacerbate the overall dynamic of the poverty problem. In belonging to a corporation, one is connected to others through the work one does, where one lives, or other activity, which brings with it the equal standing of all who contribute.

It is also clear from this section that it is in part the going beyond individual self-interest to a group of people in a given industry that brings one ‘honor’ in one’s estate. Here we also see the introduction of the estate as something perhaps other than just an economic sector one finds one’s self working in.

But not all arbitrariness can, in Hegel’s view, be overcome, because the arena of civil society is dominated by the arbitrariness of free will (Willkür):

Government comes onto the scene and has to see to it that every sphere is preserved.... [It has to look for] ways out, for channels to sell the product abroad, though this makes it
more difficult, since it is to the detriment of the others. [But] freedom of commerce remains necessary, interference must be as inconspicuous as possible, for this is the sphere of arbitrariness [Willkür]. The appearance of power must be prevented, and one should not try to save that which cannot be saved, but try to employ the remaining classes in another way. Government is the universal overseer; the individual is buried in the particular. The [particular] occupation will admittedly be abandoned by itself, but with the sacrifice of this generation and an increase in poverty, poor taxes and institutions are required.95

To use Hegel’s own terminology, the corporation works to “impede” the extreme forms of particularity in civil society, in overcoming much of the arbitrariness of the market, and helping to guide the particular economic sectors towards a clearer recognition of the universal end of civil society itself, presumably introducing some rationality, and thus mitigating the problem.96

The corporations fall under the public authority, which Hegel argues is in general necessary to the system of right and justified in intervening in the commercial affairs of individuals in order to secure the universal contained in the particularity of civil society. The implication is that without such a public authority, “the problem of poverty” and its manifold ills follows inevitably from the dynamics of civil society:

What the police provides for in the first instance is the actualization and preservation of the universal which is contained within the particularity of civil society, [and it does so] as an external order and arrangement for the protection and security of the masses of particular ends and interests which have their subsistence [Bestehen] in this universal; as the higher guiding authority, it also provides for those interests which extend beyond the society in question. In accordance with the Idea, particularity makes itself this universal, which is present in its immanent interests, the end and object of its will and activity, with the result that the ethical returns to civil society as an immanent principle; this constitutes the determination of the corporation.97

95Realphilosophie II.

96Hegel is explicit in PR §188: “Provisions against the contingency which remains present in the above systems, [system of needs and administration of justice] and care for the particular interest as common interest, by means of the police and the corporation.”
The basic cause of the “problem of poverty” is the self-interested economic activity that characterizes the starting point of self-consciousness in civil society has not been incorporated into the conception of the good of the social whole. It seems that the universal character of the self-interested activity of labor and exchange in civil society is not consciously recognized in civil society until the principle of universality is extending in the form of public authority and the corporations. Corporations organize different interests in civil society, of people involved in certain trades, where workers in different areas of industry can see the highly differentiated character of the modes of productive activity and social interaction even in that limited body as the universal condition of the pursuit of self-interest.98

This is the sphere of political economy, a necessary aspect of the social whole, but one insufficient to alone account for freedom in its fullest sense, which only finds full expression at the level of the state and citizenship—in no small part because of the evidently intractable problem that arises in the civil society dynamic. Critically the particularity that characterizes civil society is what distinguishes it from the state and the ethos of citizenship.

Hegel describes how civil society is one aspect is actualized in a nascent way, in the meeting of needs, which he describes as the “external state”:

Mind is the nature of human beings en masse and their nature is therefore twofold: (i) at one extreme, explicit individuality of consciousness and will, and (ii) at the other extreme, universality which knows and wills what is substantive. Hence they attain their right in both these respects only in so far as both their private personality and its substantive basis are actualised. Now in the family and civil society they acquire their right in the first of these respects directly and in the second indirectly, in that (i) they find their substantive self-consciousness in social institutions which are the universal implicit in their particular interests, and (ii) the Corporation supplies them with an occupation and

97PR §183.

98PR §251.
an activity directed on a universal end.  

Through these institutions of public authority and the corporation, social cooperation and solidarity is developed beyond the pursuit of self-interested wealth accumulation, contributing to the development of an ethos of citizenship implied in the relationships of the state. In the police, the rule of law is experienced as imposed from outside the dynamics of self-interest, as a stop-gap against contingency. By contrast, corporations provide an experience in which self-consciousness sees the rule of law coming from within the dynamics of self-interest in the way.

Via the corporations, self-consciousness becomes increasingly aware of the unity of its own self-interest and the universal principle of the system of needs.

At this point, the transition from civil society to the state must be accounted for and an important question addressed: what is the fundamental difference between the two spheres? Avineri is helpful there:

The state thus appears at the moment when society seems to be heading for disruption and chaos: it is the reintegration of the self into itself as a universal being after economic life has particularized and atomized it and made its activity into an abstraction. The basic scenario of Hobbes is in a way being reenacted here within a context presenting a synthesis of speculative philosophy and political economy: the abstraction of *bellum omnium contra omnes* becomes concrete in terms of human activity and consciousness.

The transition itself takes place on the basis of the development of the corporation, in bringing self-consciousness closer to the truth of civil society, the universal that has been implicit from the beginning of civil society, but could not be actually expressed on civil society’s

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99 PR §264.

100 PR §255. “The family is the first ethical root of the state; the corporation is the second, and it is based in civil society.”

101 Avineri, 1971, 110.
own terms:

The end of the corporation, which is limited and finite, has its truth in the end which is universal in and for itself and in the absolute actuality of this end. So likewise to the separation and relative identity which were present in the external organization of the police. The sphere of civil society thus passes over into the state.

… Town and country [characterized by different modes of work and attendant consciousnesses--NM] – 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. Since the state appears as the result of the development of the scientific concept in that it turns out to be the true ground, the mediation and semblance already referred to are likewise superseded by immediacy. In actuality, therefore, the state in general is in fact the primary factor; only within the state does the family first develop into civil society, and it is the idea of the state itself which divides into these moments. . . \(^\text{102}\)

With this shift to the state, however, the character of mutuality expressed in the universal relationship of each to all in civil society takes on a substantially different form, that of national citizenship and allegiance to the state and government. The forms of political representation in the state express the divisions in civil society and the ordering of economic life, but on Hegel’s view, they are not justified at this level in aiming themselves solely at narrow, particular interests, now that the interest of the free will and that of the social universal have a basis on which to concretely interpenetrate, which we will see shortly.

The fundamental difference between civil society and the state Hegel describes in a remark:

If the state is confused with civil society and its security is equated with the security and protection of property and personal freedom, the interest of individuals as such becomes the ultimate end for which they are united; it also follows from this that membership of the state is an optional matter. But the relationship of the state to the individual is of quite a different kind. Since the state is objective spirit, it is only through being a member of

\(^{102}\text{PR §256 and Remark.}\)
the state that the individual himself has objectivity, truth and ethical life. Union as such is itself the true content and end, and the destiny of individuals is to lead a universal life; their further particular satisfaction, activity, and mode of conduct have this substantial and universally valid basis as their point of departure and result.\textsuperscript{103}

Here I will call attention to the way the beginning concept of right as the embodiment of freedom has been developed in the shifts that belong to abstract right, morality, and ethical life, and how these have necessitated the dynamics of civil society and its relationship to the citizenship mentality of the state. Hegel is arguing in this remark that if the end of the state, which represents the social whole, is confused with the security and protection of its individual members, then those particular ends are the cause of their social whole, and its basis as a political body would be the pursuit of those particular ends and interest. This would make membership in the state optional, Hegel writes. Moreover, some other form of social organization, not the state, would be the ground of all the previous developments, although it is not clear on what basis a sense of social unity would develop. Indeed, the social order would lack any basis for the concept of general good that allows for the expression of social particularity to express itself freely.

As to the role of the corporation at this level, it is corporation members who are delegated representatives of the estates to those sessions.\textsuperscript{104}

The estates are institutions that express in political form how individuals share in the social wealth created. Through this sharing, as we’ve seen in civil society, material and social needs come to be met.

\textsuperscript{103}PR §258R.

\textsuperscript{104}PR §311.
A general feature of the *PR* is that the different forms of social being correspond to particular forms of social consciousness. This insight, alongside the view of the sphere of economy in *PR*, also noted by Riedel, that it is not only an arena of freedom but also one of natural necessity, is part of what makes Hegel’s socioeconomic analysis so insightful. It also creates a highly complex social differentiation, which has a hierarchical character based on the form of work and social activities one does and the kinds of consciousness that are involved with it. One can see some of these features in this section and long remark on the estates in *PR*.

In the arena of the political relationships of the state, the estates play an important role in mediating individuality and universality in the system of right. As Hegel explains in the early sections on the state:

The role of the Estates is to bring the universal interest into existence not only in itself but also for itself, i.e. to bring into existence the moment of subjective formal freedom, the public consciousness as the empirical universality of the views and thoughts of the many.

The expression the many (oi polloi) denotes empirical universality more accurately than the usual term ‘all’… The idea with which ordinary consciousness usually begins when it considers the necessity or usefulness of a convention of the Estates will usually be, for example, that delegates of the people, or indeed the people themselves, *must know best* what is in their own best interest, and that their own will is undoubtedly the one best equipped to pursue the latter. [italics in original] 105

Hegel then proceeds to argue that the opposite is in fact the case, and reveals that the estates do not exist to give political voice to particularity as such, but rather to help guarantee, and with more or less success, the general welfare, just as any other *state* institution must do:

… [T]he guarantee the Estates provide for universal welfare and public freedom does not lie in any particular insight they may possess. For the highest officials within the state necessarily have a more profound and comprehensive insight into the nature of the state’s institutions and needs, and are more familiar with its functions and more skilled in

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105 *PR* §301 and §301R.
dealing with them, so that they *are able* to do what is best even without the Estates, just as they must continue to do what is best when the Estates are in session...

The guarantee…lies rather in the extra insight which the delegates [to the Estates--NM] have into the activities of those officials who are less visible to their superiors, and in particular into the more urgent and specialized needs and deficiencies which they [the delegates] see in concrete form before their very eyes; and secondly it lies in the effect which the expectation of criticism, at the hands of the many, has in compelling the officials to apply their best insights… to their functions and to the plans they intend to submit, and to put these into effect only in accordance with the purest of motives. . . As for the general guarantee which is supposed to lie in the Estates in particular, each of the other institutions in the state shares with them the quality of being a guarantee of public welfare and rational freedom; and in some of these institutions – such as the sovereignty of the monarch, hereditary succession, the constitution of the courts, etc. – this guarantee is present to a much greater degree.  

Now that we have seen in some detail the transition from civil society, through the problem of poverty, to the state, let us look at how Hegel has viewed the problem of poverty in other works.

In the Berlin lectures given from 1819/20, Hegel elaborates on the dynamic:

The emergence of poverty is generally a consequence of civil society and grows necessarily out of it. Thus there accumulate wealth without measure or limits on one hand, and want and misery on the other. The spread of wealth and poverty go hand in hand. The necessity of this phenomenon appears in the fact that the labor required for the satisfaction of needs becomes more and more abstract; it can be carried out in a much easier way... The sphere of gainful activity is thus widened, and so is also the sphere of profit: Concrete activity [on the other hand] has a limited sphere of individuals which it satisfies. In place of abstract labor there appears, as we have seen, the machine. In this way, the consequences of abstract labor are further extended, and concrete activity becomes degraded. Wealth accumulates in the hands of the owners of factories (*Inhaber der Fabriken*). If one works for the state, the accumulation of wealth becomes even more significant through the business of suppliers and contractors. With the accumulation of wealth, the possibility for further extension of the enterprise through the accumulated capital (*gesammelten Kapitalien*) becomes even greater. The owner of larger capital can be satisfied with smaller profits than those whose capital is more limited. This is one of the main reasons for the greater wealth of the English. With the amassing of wealth, the other extreme also emerges— poverty, need and misery. In England, the work of hundreds of thousands of people is being carried out by machines. Inasmuch as the

\[106PR 301R.\]
industry of any country extends its products into foreign lands, the welfare of single branches of industry is becoming exposed to many accidentalities. In all these ways need and poverty accumulate. At the time, the individuals become more and more interdependent through the division of labor. Poverty is then a state of civil society meaning an all-encompassing misery and deprivation. It is not only external need which burdens the poor; it is combined also with moral degradation. The poor mostly lack the consolation of religion; frequently they cannot go to church because they lack clothes or because they have to work on Sundays as well. Furthermore, the poor participate in a divine service which is mainly meant for an educated public. Christ, on the other hand, says [Matthew 11:5] that "the poor [should] have the gospel preached to them." The university training of most pastors is mainly of the sort which makes most teachers of religion more learned than able to speak to the heart and reveal the inner life (das Innere zu offenbaren).107

These remarks indicate that the “problem of poverty” is caused by the development of machinery and the division of labor, and appears to be an extraordinarily widespread phenomenon, and moreover, a necessary outcome of the operation of civil society. While Hegel accepts this openly, he certainly does not appear to be complacent about it or remain insensitive to its effects, which are widespread, profoundly destabilizing and do not appear to be slowing.

We can contrast the presentation of these entwined issues of the “problem of poverty” with his earlier Philosophy of Spirit (also known as the Jena Lectures or Realphilosophie of 1805/06). In the section of that work on law and property, Hegel writes:

Law is the universal right, property in general, protecting each one in his immediate possession, inheritance and exchange. But this is merely formal right, which remains quite free in regard to content (the element of chance in inheritance). The individual presents himself as earning by means of labor. Here, his law is only that whatever he works upon or exchanges belongs to him. But the universal is at the same time his necessity, a necessity which sacrifices him in his legal freedom [die ihn bey seiner Rechtsfreiheit aufopfert].

(a) The universal [i.e., the social substance] is pure necessity for the individual worker. He has his unconscious existence in the universal. Society is his “nature,” upon whose elementary, blind movement he depends, and which sustains him or negates him

spiritually as well as physically. The individual exists through immediate property or inheritance, completely by chance. He works at an abstract labor; he wins much from nature. But this merely transforms itself into another form of contingency. He can produce more, but this reduces the value of his labor; and in this he does not emerge from universal [i.e., abstract] relations. (b) Needs are thereby diversified; each individual need is subdivided into several; taste becomes refined, leading to further distinctions. [In the production of goods a degree of] preparation is demanded which makes the consumable thing ever easier to use. And so that all of the individual’s incongruous aspects are provided for (e.g., cork, corkscrew, candlesnuffer), he is cultivated as naturally enjoying [them] (er wird gebildet als natürlich geniessendes). (c) By the same token, however, he becomes – through the abstractness of labor – more mechanical, duller, spiritless. The spiritual element, this fulfilled self-conscious life, becomes an empty doing (leeres Thun). The power of the Self consists in a rich [all-embracing] comprehension; this power is lost. He can leave some work to the machine, but his own activity thereby becomes more formalized. His dull work constricts him to a single point, and his work becomes more consummate the more one-sided it becomes. . .

Similarly incessant is the search for ways of simplifying labor, inventing other machines, etc. In the individual’s skill is the possibility of sustaining his existence. This is subject to all the tangled and complex contingency in the [social] whole. Thus a vast number of people are condemned to a labor that is totally stupefying, unhealthy and unsafe – in workshops, factories, mines, etc. – shrinking their skills. And entire branches of industry, which supported a large class of people, go dry all at once because of [changes in] fashion or a fall in prices due to inventions in other countries, etc. – and this huge population is thrown into helpless poverty.

The contrast [between] great wealth and great poverty appears: the poverty for which it becomes impossible to do anything; [the] wealth [which], like any mass, makes itself into a force. The amassing of wealth [occurs] partly by chance, partly through universality, through distribution. [It is] a point of attraction, of a sort which casts its glance far over the universal, drawing [everything] around it to itself – just as a greater mass attracts the smaller ones to itself. To him who hath, to him is given. Acquisition becomes a many-sided system, profiting by means or ways that a smaller business cannot employ. In other words, the highest abstraction of labor pervades many more individual modes and thereby takes on an ever-widening scope. This inequality between wealth and poverty, this need and necessity, lead to the utmost dismemberment of the will, to inner indignation and hatred. This necessity, which is the complete contingency of individual existence, is at the same time its sustaining substance. State power enters and must see to it that each sphere is supported. It goes into [various] means and remedies, seeking new markets abroad, etc., [but] thereby making things all the more difficult for one sphere, to the extent that state power encroaches to the disadvantage of others.\footnote{Philosophy of Spirit, Jena Lectures 1805-1806, Part II. B. Coercive Law.}
In these passages, Hegel refers, as he does in PR, to the unconscious aspect of the system of needs and their fulfillment, the role of the division of labor and technology in exacerbating the arbitrariness and contingency through overproduction and profit-seeking, as well as limiting the scope of work available to narrow extremes.

But here in PS he also discusses more concretely how, though the individual is wholly (but unconsciously) dependent on the system of needs, it is also arbitrary whether those needs will be met, homing in on where the inequalities are generated. Through the increased division of labor, more wealth is generated continuously. The amassed wealth begins to exert its own gravitational force. One also sees here a smaller and a big bourgeoisie. There’s “need” unfulfilled, and “necessity,” determined by this blind process to which all are subject, but in which only few succeed and many more are dispossessed. In the above passage, Hegel more directly describes the attitude such circumstances generate: “This inequality between wealth and poverty, this need and necessity, lead to the utmost dismemberment of the will, to inner indignation and hatred.” That there is no other way to have one’s needs met in modern life, Hegel argues, the denial to many, of the enjoyment of the benefits of the society, creates a deep antipathy to the social whole in the minds of those affected, and they are not wrong to feel that they have been wronged.

The gap between the diagnostic analysis in the PS and the resolution of the problem Hegel proposes in PR is quite substantial.
Avineri notes that various scholars contrast a radical younger Hegel of 1806\textsuperscript{109} to the older, more conservative thinker of 1820, but I must agree with him that there appears to be no fundamental difference in the political solutions Hegel produced in *Philosophy of Spirit* and *PR*, although the forms and emphases of the two works differ.\textsuperscript{110} One may have to speculate on the reasons for this, since the problem was evidently a major subject of discussion in his lectures, as we will see. It is known that the Karlsbad Decrees, a program involving close surveillance and censorship of intellectuals, delayed the publication of *PR*.\textsuperscript{111} Though Hegel was not among the left wing of Germany’s political thinkers at the time, he was deeply embroiled in the political and theological debates of his day, and his entire system would come to be considered suspect for reasons more theological than political, although these were also related.\textsuperscript{112} Given this

\textsuperscript{109}Hegel, *Philosophy of Spirit* (Jenaer Realphilosophie 1805/06). In this work Hegel also developed his theory of labor, which is a highly social conception: “Labor is... of necessity social labor. Contrary to the atomistic, individualistic view of labor, which sees labor as primary and exchange as secondary and derivative, based on a surplus, labor for Hegel is always premised on a reciprocal relationship, subsuming exchange under its cognitive aspects. No one produces for himself, and all production presupposes the other, hence a basic element of recognition is always immanent in labor.” Avinieri, 1971, 103.

\textsuperscript{110}Avinieri, 1971, 97.

\textsuperscript{111}Avineri, 1985 argues that the censorship issue lends unusual value to notes written by Hegel’s students discovered in 1985, some of which I will excerpt later, 204.

\textsuperscript{112}Pinkard, 2000 in his biography of Hegel identifies the philosophical and political controversies in which Hegel was involved around 1820, the most well-known being that around his colleague Jakob Fries, in which Hegel criticized his colleague as a Romantic who’d been carried away by his emotions. Hegel also had open antipathy to the anti-Semitism emerging in the student societies (Burschenschaften) alongside German national and republican ideals. Hegel in turn was accused of being an apologist for the repressive Prussian order. Breckman (1999) draws out more fully the political implications of Hegel’s philosophy for that time. Any political philosophy was likely to be viewed in light of ongoing debates concerning contemporary Christian personalism, in which political concepts had theological implications, and vice versa. In particular, one’s view of the Christian trinity had implications with respect to monarchy, property and democratic forms of rule. But even Hegel’s more general view, that God is “immanent” in the natural and social order, veered much too close to Spinozism and a naturalistic conception of the world. And while he was no republican, his view of individuality still had too much in common with egalitarian thinking at the time to avoid suspicion. Breckman argues these debates were deeply influential on the direction Hegelian thought would take after his death, and in particular on the way questions of religion and social philosophy would come to characterize the work of the Young Hegelians.
context, and because the commentary on “the problem of poverty” in PR is rather more limited than in his past work and lectures, I include sections on the problem from both PR and PS in this text to provide the reader with a fuller picture of his thinking on the issue, which, again, does not appear to have changed form much over the fifteen or so years’ time.113

Hegel provides a comparatively richer, more concrete historical and philosophical context for the social relationships in PR, as compared to earlier, more abstract frameworks. His incorporation of a greater variety of human activity in PR gave shape to social dynamics, and self-consciousness’s own discovery of these. In particular, the context and content of civil society and the state is substantially expanded in PR as compared to earlier works. However, the analysis offered of “the problem of poverty” itself in PR, compared to Jenaphilosophie is brief and very general, as Avineri, Lukacs, et al., note.114

**Interpretations of the Problem of Poverty in the Literature**

Hegel’s understanding of the problem of poverty is justly appreciated for its insight and sophistication. It also presents a challenge for Hegel scholars to comprehend its logic and its overall significance for Hegel’s philosophy, amid attempts to relate it to one’s contemporary social order and its institutions. Some have sought to more fully expose what they believe to be the implied solution or solutions to the problems Hegel raises. Others have endeavored to show that there is no satisfactory solution on Hegel’s own terms for the problems raised. I will introduce three views on the significance of the problem of poverty among the commentators.

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113 I do not want to give the reader the impression that Hegel had made few theoretical developments through the decades. Riedel explains, although mainly in outline, that major features of Hegel’s social and political thought changed between 1800 and 1817, including his views on natural law. It is unfortunate that I cannot go into that here. (Riedel 1984, 146-7)

114 Avineri, 1985, 204.
Avineri and the “insolubility” thesis

Shlomo Avineri is perhaps the best-known English-language commentator on the “problem of poverty” in Hegel’s work. His contributions are numerous and unusually valuable, in particular his 1972 monograph *Hegel’s Theory of the Modern State*, and the translation of the 1819/20 Berlin lectures after their discovery. In his introduction to a translation excerpt of those notes on the “problem of poverty” Avineri writes:

In the early 1980s, three sets of lecture notes from participants in Hegel’s lectures on his Philosophy of Right surfaced, two of which preceded the publication of the work in 1821, and thus give insight into Hegel’s working out of the finished text.

Avineri’s commentary on these notes emphasizes two main points: that all sets of these notes indicate Hegel was “more liberal in his lectures than his publications,” and “there also appears a great degree of continuity between his conceptions and critiques in the Jena lectures and his later system.”

Of these, I am focusing on the earliest notes produced by Peter Wannenmann and the Berlin 1819/20 notes discovered by Dieter Henrich.

[I]n the 1819/20 Berlin lectures... the discussion runs to several pages; Hegel describes in much detail the futility of various ameliorative measures intended to alleviate the impact of poverty in civil society; he mentions the emergence of a feeling of revulsion and revolt (Empörung) among the poor, and legitimizes it; he makes a clear and fascinating allusion to the master-slave dialectics as he had presented it in the *Phenomenology*; and his discussion of overseas colonization as a consequence of these internal dilemmas is most extensive.

Avineri has long emphasized the significance of the problem of poverty in Hegel's

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115Avineri, 1985, 201. Adding further complexity, there are difficulties with the student notes. Their origin is unclear. They come from an anonymous source and were discovered under what Avineri describes here as “an almost incredible series of coincidences by Dieter Henrich in the library of Indiana University in Bloomington.”

116Avineri, 1985, 204.
work—namely, its apparent insolubility, but this emphasis is not aimed at exposing any theoretical inadequacy on Hegel’s part. To the contrary, in Avineri’s view, this insight speaks to the depth of Hegel's understanding of the problem with which he is dealing, even in its nascent expression in the system of right, and grappling with its political and economic intractability.

Avineri collects Hegel's proposed solutions into types of alleviating approaches, and identifies the central theoretical issue:

Hegel sees three alternative ways in which the alleviation of poverty can be approached: (a) through voluntary institutions; (b) by redistribution of wealth through direct taxation; (c) through public works. The point, however, is that none of these methods solves the problem, which is one of overproduction and under-consumption, and it is in these terms that Hegel understands the intrinsic problem of modern society...

We have thus seen Hegel analyse the functioning of civil society and come up with a theory of pauperisation, social polarisation, economic imperialism and colonisation. Few people around 1820 grasped in such depth the predicament of modern industrial society and the future course of nineteenth century European history. What is conspicuous in Hegel’s analysis, however, is not only his farsightedness but also a basic intellectual honesty which makes him admit time and time again —against the basic grain of the integrative and mediating nature of the whole of his social philosophy—that he has no solution to the problems posed by civil society in its modern context. This is the only time in his system where Hegel raises a problem—and leaves it open. Though his theory of the state is aimed at integrating the contending interests of civil society under a common bond, on the problem of poverty he ultimately has nothing more to say than that it is one of ‘the most disturbing problems which agitate modern society’. On no other occasion does Hegel leave a problem at that.\(^{117}\)

It is true what Avineri says, that none of the methods that Hegel investigates seem to decisively solve the problem, and that the problem is deeply disturbing to modern society (it is also disturbing to *PR*). There is indeed a paradoxical element to the problem that Avineri’s assessment brings out. It is a possible outcome of the social and economic relations that were then emerging, recognized by Hegel, yet left underdeveloped. Hegel did not opt to make central

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\(^{117}\)Avineri, 1972, 154.
the class inequality paradox in the development of the system, and instead prioritizes the resolution of the problem of integrating the individual interest with that of the social whole, and subordinates the paradox of modern political economy to that philosophical and political project.

However, I do not agree entirely with Avineri that the whole problem goes “against the basic grain of the integrative and mediating nature of the whole of his social philosophy,” because there is a mediating institution that falls under Avineri’s category, “voluntary association.”

The corporation, as strange a move as it may be historically and politically speaking, does address the main point Avineri raises on the problem of poverty, its “insolubility,” and in a robust form: Hegel proposed an institution in civil society that takes the self-interested self-consciousness where it is, at an admittedly low level, and helps to educate and raise it to the universality permitted within the confines of a broader but still particular social whole—that of an association of professionals. Now the corporation does not automatically answer every question raised by the problem of poverty, but it does go directly to the problem of the limitless pursuit of individual self-interest that, in Hegel’s view, makes its “unimpeded” pursuit so destructive. Hegel takes the development of self-consciousness to be the essential matter here. Self-consciousness must realize its own circumstances, conform itself to a more general good within the context of its own interests, and in return enjoy the benefits and security the corporation, as part of the public administration, provides.

This interpretation is generally consonant with that offered by Charles Taylor in his *Hegel*, published in 1975. He explains:

Civil society as a system of needs is naturally forced to develop further beyond the simple set of relations of production and exchange. Since it is the sphere in which men
are related as persons, it has to protect and maintain men's rights. Hence it is involved in
the administration of justice. But beyond this, the operation of the economy for the good
of its members is far from being entirely assured by automatic mechanisms, in spite of
the good work of the invisible hand. Lots of things can go wrong; and in the name of the
good of individuals public authority has to intervene. Hegel thus takes us in the second
and third sections of civil society beyond the level of economic relations to functions
which are judicial and properly political. . . [W]e are still dealing here with individual
men, the subjects of needs, united together for their common interest. What we discover
is that the exigency of this common interest takes us beyond relations of production and
exchange; and requires as well the administration of justice and a certain amount of
regulation of economic activity. But we are not yet at the stage where we are looking on
the political community as the substance, that is as constituting itself the end [i.e., the
state].

Hegel sees the necessary regulation being done partly by public authority, partly by
corporations which are representative of various groups and professions and which
operate with a publicly recognized status. But what is particularly interesting and worth
pausing over for a moment is Hegel's insights into the problems of civil society. It is not
just that many accidents of economic life, natural disasters, overproduction, etc., can
reduce men to poverty and that society thus has to operate some kind of welfare state. It
is also that there is an inherent drive in civil society towards dissolution.118

And later:

For Hegel, civil society is thus to be kept in balance by being incorporated in a deeper
community. It cannot govern itself. Its members need allegiance to a higher community
to turn them away from infinite self-enrichment as a goal and hence the self-destruction
of civil society. Self-management through corporations can be seen as a stage on this
road. It makes the individual member of a larger whole, and lifts him, as it were, toward
the state. In the corporation he has the respect and dignity which he would otherwise
seek, left as a simple individual, in endless self-enrichment.119

It is clear here as well that, while Hegel envisions a political means for mitigating the
problem of poverty at multiple levels, the tensions out of which it emerged do remain. These are
based both in the institutions involved and the conflicting forms of social mentality they
cultivate, issues which, seem to be unavoidable on Hegel’s view.

118Taylor, 435-36.
119Ibid., 438.
**Wartenburg and the “alternative class structure” thesis**

Even with existence of the corporations and the necessary intervention of a public authority regulating economic activity and trade, not all the issues Hegel raises with “the problem of poverty” are satisfactorily addressed, as Thomas Wartenburg claims in his 1981 essay “Poverty and class structure in Hegel’s theory of civil society.” Wartenburg moves directly to the claim made by Taylor and others that “the problem of poverty” can only fully be resolved at the level of the state, where its rightful locus of resolution. The institutions and mentality at the level of civil society may undergo significant transformation throughout civil society, but they are demonstrably inadequate for the interpenetration of the interests of the particular individuals and the social whole as something separate from and more than simply the aggregate of individual needs, rights, and interests, which cannot serve as the basis of the state.

Wartenburg begins by noting that civil society is still a state of external necessity, in which the universality expressed in the rule of law is something outside of self-interest, and therefore is not completely free. Freedom requires a fuller expression of reason in the world, for which we look to the state, as the actual ground of all the preceding moments and the political basis for the interpenetration of individual interests and the interest of the social whole. Hegel’s theory of civil society shows that civil society is a necessary but inadequate stage of the will’s embodiment of freedom. Through the system of needs, relationships of interdependence allow for individual fulfillment and freedom, a developing social consciousness, but that freedom remains inadequate in that it is mixed with natural necessity.\(^{120}\)

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At the level of civil society, “The principles of particularity and universality are still conceived of as contradictory. Hegel’s theory of the state is designed to rid society of just such contradictory oppositions by embodying principles of universality within the sphere of particularity itself and thus establish a realm of rational freedom.”\textsuperscript{121}

If the estates of civil society are the means by which individuals share in social wealth to pursue their freedom, Wartenburg notes that a group without those means is then an embarrassment to the conception that all should have their welfare secured in civil society. He writes, “It is clear that Hegel is presenting for our consideration a whole set of phenomena that are the result of the workings of civil society. On the one hand, we have the concentration of wealth via accumulation; on the other, the impoverishment of those who don’t possess wealth.”\textsuperscript{122}

For Wartenburg, Hegel’s discussion of the problem of poverty is vexing in part because it reveals a theoretical flaw in the \textit{PR}—namely, there appears to be an “unacknowledged” or “alternative” class structure in the \textit{PR} that is not integrated into the main line of Hegel’s theory.\textsuperscript{123} From close examination of \textit{PR} \S 243-44 (including the Addition) Wartenburg concludes that a class differentiation emerges that is separate from the estates, characterizing the problem of poverty as “the form of wrong done to one class by another.”\textsuperscript{124} It is this class dynamic that Wartenburg claims, insofar as it remains unacknowledged in the formal

\textsuperscript{121}Ibid.

\textsuperscript{122}Ibid., 177.

\textsuperscript{123}Ibid.

\textsuperscript{124}Ibid., and \textit{PR} 244A.
development of the PR, undermines the claim that the “problem of poverty” can be resolved in Hegel’s system. In particular, Wartenburg argues that the “problem of poverty” is not addressed at the level of the state in the way that Taylor, et al. want to claim.

While this might suggest that the state would, in fact, be able to resolve any inadequacies encountered at the level of civil society, this is simply not so. For Hegel bases his theory of the state on the official theory of the Stände of civil society. Hegel’s exclusion of workers and poor people from the Stände of civil society entails that his theory of the state has no means to address the situation of those individuals. As a result, the state cannot be the locus of a solution to the problem of poverty in civil society.125

Now, no one, including the impoverished as such, participates in the state as individuals; some have corporations and from there can be delegates to the estates sessions.

The precise nature and significance of Hegel’s error in PR in Wartenburg’s view:

Nevertheless, what needs to be seen is that Hegel’s discussion remains at the level of the description. The presentation and recognition of this phenomenon does not cause Hegel to rethink the fundamental categories of his theory of civil society. He retains the notion that the fundamental Stände [estates] 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. Thus although he sees that civil society functions by means of and so as to create certain social distinctions, he fails to see these distinctions as constituting the basic social distinctions of civil society. He retains his own account [that based on the estates—NM] of these as dependent on the mode by which individuals share in the wealth produced by the functioning of civil society…

Failure to note the deep problem that Hegel’s discussion of poverty presents for his own theory is common to both Avineri and Taylor’s discussions. What they both fail to note is that the central problem here is not the creation of poverty per se, but the fact that the development of civil society is based upon an alternative class structure to Hegel’s official position. As a result, Avineri is content to praise Hegel’s discussion, despite its failure to provide a solution to the problem of poverty, while Taylor mistakenly places that solution in Hegel’s theory of the state. But it is the existence of an entire class of individuals within civil society who have no means of participating in its benefits that needs to be seen as a crucial “contradiction” in that sphere.126

125Wartenburg, 180.

126Ibid., 178.
To address Wartenburg’s last point above, I think that the problem of poverty is seen by Hegel as major problem inherent to the sphere of civil society, and not only from the standpoint of material and social needs, but also from the standpoint of freedom; but it cannot be a contradiction in *PR*. Many stop-gap measures are dismissed as inadequate responses to what is a systemic problem, and Hegel instead argues for the education and socialization of the population through various means to define, develop and accustom it to its social and institutional circumstances, which we have seen in the public authority and, most explicitly, in the corporation. This acculturation is further extended in the estates, although as we saw it is not to be a guarantee of particular but of general interests at that level. (And particular interests would as such fall to the corporations.)

But when Wartenburg uses the term contradiction here, it may be because he is expecting a shift in Hegel’s mode of analysis possibly based on the conception that rights are in conflict (because Hegel does not appear to have violated any of his own principles). In other words, if the institutions of civil society are incapable of producing freedom, and those are the basis for the representation taking place at the level of the state, his conclusion seems to be that those conceptual tools are inadequate, and Hegel needs finer tools. Well, that may be so. But this line of reasoning runs the risk of mistaking Hegel’s main concern for something other than the interpenetration of free will with patriotism, in which Hegel is not only willing to permit but endorses a range of inequalities, many of which are not the consequence of contingency but are necessarily tied to the development of different forms of social being. It is the former issue that Hegel seems to take issue with, and why reason unfolds in a series of mediations that impose a frankly staggering (by contemporary measures) order of subtle definitions and social relations.
within both civil society and the state.

Here we see perhaps most clearly how Hegel was perceived to marry deeply traditional conceptions, including semi-feudal institutions like the corporation, the modern inequality dynamic, and the modern individual characterized by free will and its relationship to its source in the nation-state. Socioeconomic class is not among the main demarcations of that process of social integration. Does this mean the problem of poverty is “unresolved” in PR? No, and yet it may persist anyway.

Wartenburg’s position conflicts with the view of Taylor, et al. based in the politics of the estates. In brief, the issue is that without an explicit acknowledgement of the class that is excluded from the estates, the basis for political representation and participation in state politics, this group of workers has no formal means to address their situation, and “[a]s a result, the state cannot be the locus of a solution to the problem of poverty in civil society.”127

And this Wartenburg discovers in Hegel’s discussion on duty.

The essential aspect of the political state proper from this point of view is that it provides a means whereby individuals in a particular Stand [estate] of civil society acquire an explicit relation to the whole. This is done by some form of participation in the government, be it as an official as in the case of the Stand of civil servants or as a constituent of the legislature as in the case of the professional and agricultural Stände [estates]. (See §303) The crucial thing to realize is that there is no place in this discussion of the state to consider the problems Hegel addresses in his discussion of poverty. By only looking at those individuals who are already part of a Stand [estate] in civil society when considering the political aspect of society, Hegel rules out any way of handling the problems of individuals who are not members 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 his theory of the state is unable to address the problems that Hegel acknowledges to be inherent in civil society due to its “movement.” Thus the only “contradictions” that become united in the state are those between the competing claims of different groups all of whom already have a share in the communal wealth. No wonder then that Hegel’s state appeared to later

127Ibid., 180.
theorists to be a tool of the propertied classes.\footnote{Ibid.}

Wartenburg, recognizing that civil society is an inadequate embodiment of freedom,\footnote{Ibid., 179.} looks to the political set-up of civil society and the state to see where an immanent solution might lie—and finding none—leaves with the suspicion that the problem of poverty might be unresolved after all. Wartenburg homes in on the estates (Stände), the official class divisions of civil society:

[Note the broad division of society into three Stände [estates]: the substantial or agricultural Stand, the universal Stand of civil servants, and the business of professional (Gewerb) Stand which is itself further broken down into three (!) sub-Stände [estates]: the handicraft, manufacturing, and merchant Stande. What each of these Stände [estates] represents is a particular way in which the individuals composing the Stand share in the communal product and thereby the ways in which they are able to satisfy their spiritual needs. One of the fascinating features of Hegel’s analysis is his claim that the sorts of spiritual needs an individual has depend upon the type of work that he or she is engaged in (see §§203-205).\footnote{Ibid., 173.}

Wartenburg’s piece stands out for its sensitivity to the full range of social life that Hegel captures in civil society. Though his account of political representation is imperfect, his more general point gets to the heart of why the problem of poverty has presented a puzzle that seems to speak directly to those looking for bourgeois welfarist and historical social democratic solutions to the social problem that has endured these 200 years.

That more general point is that Hegel’s categorical framework sticks to his official class structure and does not acknowledge as central the divisions that emerge in civil society as primary, “namely the Marxian distinction between a laboring class and a class which controls the
social wealth.”

Wartenburg argues that Taylor, et al., are mistaken in suggesting that a clear solution is to be found at the level of the state, because of the problem of political exclusion that is created in the dynamic of civil society. He argues a fortiori: there is no place in Hegel's discussion of the state for the resolution of the problem of poverty because political participation in the state is based on the estates, from which working and poor people are excluded; thus the state has no means to address the situation of those individuals being excluded from political participation.

But I think that based on the study of the corporations, it is not clear at all that working people must necessarily excluded from political representation, as the corporations are part of the executive, albeit subordinated to the public authority. So it is not clear that Wartenburg has succeeded in showing a theoretical failure internal to PR. Although he does raise the question, were Hegel to have taken up the issue of the bifurcation of society into the classes of capitalist society and made those central to the dynamic, would it require him to abandon his project of wedding the interests of the individual to the interests of the social whole of the nation? And if not, what might that look like? I think it is unlikely that he would have opted for something other than institutional mediation and the step-wise development of consciousness, if only based on the roles played by the differentiated social layers within PR. The work is then, in important ways, not recognizably capitalist.

For example, Taylor notes that the estates do not indicate “just a different type of work, but also different life-styles and hence values. These are the Hegelian ‘estates’. Hegel uses the

\[131\] Ibid.
older term, rather than class, and it is better to follow him here since these groups are not just differentiated by their relation to the means of production, but by their life-style."132

**Westphal’s Response to Wartenburg**

In the addendum to his “Basic Context and Structure of Hegel's Philosophy of Right,” which appeared in the first *Cambridge Companion to Hegel*, Kenneth Westphal sharply disagrees with a position put forward by Bernard Cullen, who argues, in what seems a similar way to Wartenburg, that worker exclusion from political representation via corporation is a fatal flaw in the system of right. Westphal replies that Cullen confuses and overstates the problem by misinterpreting the class significance of the term *Meister* in both Smith's *Wealth of Nations* and *PR*; that it is in fact only casual laborers who are excluded from representation, and that it would be fully in the spirit of Hegel's project to have some modification to corporation membership since most casual laborers work in a single industry, and thus have a vested interest in the success of that industry, fulfilling the basic requirement for membership in a corporation.

Westphal notes that throughout his work Hegel “did not think that poverty was an accidental phenomenon. Rather, he recognized that it results from the workings of civil society, and in his lectures he stated what his text clearly implies, that poverty is a wrong done by one class to another. He held it to be an evil because it produces wretched living conditions and because it systematically excludes the poor from participation in society.”133

Westphal then takes up Wartenburg’s argument:

In a very subtle analysis, Thomas Wartenberg contends that the lack of political representation of laborers and the lack of resolution of the problem of poverty in Hegel's

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132Taylor, 433.

political philosophy point to an implicit class structure that Hegel failed to address, namely the Marxist class division between capitalists and workers. Two issues will remain debatable: How much prescience Hegel is to be faulted for lacking (Marx’s class analysis is much more evident after the Restauration and after the height of the Industrial Revolution, both of which Hegel did not live to see), and how much theoretical consistency or political boldness Hegel lacked for not proposing the institutional remedies I suggested above for the representation of laborers and for poverty. I maintain, however, that the proposals I have made on Hegel’s behalf follow readily from his political principles and institutional proposals, and that these proposals directly address the concerns raised by both Cullen and Wartenberg.\(^\text{134}\)

This response offers a helpful suggestion for the problem of inclusion. But I think it might side-step an important implication of such an implicit class structure.

Wartenburg’s argument calls into question on what basis a unity among all in an estate could be established, if there are two different class dynamics operating in civil society—the official one based on the estates, and then also this other tendency to polarization that is to be mediated in various ways, including by acculturating those who may do harm with those who may suffer at the hands of the members of their own or other estates or corporations in a way that dramatically diminishes their freedom.

One cannot be expected, for example, to willingly accept some loss simply because it benefited someone else. But, and I think this speaks to Hegel’s point here in the corporations and estates, one could under certain circumstances, accept some loss if it benefited the general welfare, and if there was some recompense or other form of security against disaster.

But this form of negotiation is utterly different from the kind of exploitation and dispossession described in civil society, where the social wealth created comes at the expense of those creating it through the division of labor. Wartenburg is correct to point out that a

\(^{134}\)Westphal, 114.
recognizably capitalist class division emerges in the problem of poverty. But it is not taken up as
the locus of social conflict, I think this is because, while it is troubling, it is not conceived in $PR$
as an axis of the unfolding dynamic between the various forms of universal mentality and the
various form particularity and self-interest. It does threaten however to interrupt the $PR$ dynamic
it.

Wartenburg seems to want much more specificity about how sociopolitical mediation
manages to transform what appears to be a burgeoning, nakedly capitalist inequality dynamic
into the highly mediated, rationalized and welfare-oriented civil society and national polity; and
is doubtful such a transformation can take place without accounting for socioeconomic class. I
can certainly concede it is an avenue to be explored, but it may not fall, as we saw Hegel define
it, under the umbrella of philosophy.

Does it mean the problem of poverty is unresolved? I do not think so. Moreover, the
value of such a contribution depends on understanding what the problem is (and is not), or at
least what it represents. It would have to respect the institutions of $PR$, and just as essentially for
Hegel, in being aimed at this class issue, it would have to intersect with the radical self-interest
issue that Hegel is concerned about in civil society, and be part of the effort to resolve it through
increasingly integrative determinations of self-consciousness to the general welfare, which is the
central task of the work.

The problem of poverty for Hegel emerges out of an untrammeled free will in the form of
economic self-interest in civil society (which as we have seen, is governed also by the rule of
law), with the former being the active and primary principle. The “problem of poverty”, the issue
of extreme social inequality, is held to be, in fact, a problem of underdeveloped social mentality,
and thus the institutions themselves may remain in place.

Wartenburg’s emphasis on the alternate social dynamic emerging in civil society seems to reach out to us in our own time. This dynamic certainly makes the problem of poverty appear to be intractable in *PR*. It is not taken up as a main line of the analysis, for the specific reasons that that form of inequality is, however much a real obstacle and powerfully destructive of social solidarity, its existence in the broader scheme of *PR* does not inherently represent a fundamental undermining or negation of the main argument of *PR*, which is not even preoccupied with material and social equality except in a general sense, but with the development of self-consciousness towards freedom.

The growing body of more recent literature on the problem of poverty in *PR* gives us a clue that Wartenburg, having written in 1981, is not alone in emphasizing this aspect of the work. To the contrary, one looks to the literature and discovers lengthy and detailed discussions about which groups of workers and poor may be included or excluded in the corporations and thus the estates, how to improve the structure of the corporations, and how these changes may impact the problem of poverty in the system of right. One risks becoming a bore at this point even writing on the issue, unless one truly has something new and valuable to say.

Finally, Wartenburg hastens to distance himself from Marx’s own critique of *PR*, while arguing that the main class identification at stake is unmistakably Marxian. In responding to

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135I will provide some example of the different lines of thought which express the main themes I have dealt with here: Wood states plainly, and apparently incorrectly, citing *PR* §252 (in his introduction to *PR*) that wage laborers have no corporation membership, in addition to civil servants (who need no corporation) and agricultural workers (whose work makes them unsuited to “the corporate spirit”) (*PR*, xx); Westphal, citing the same section, argues the exclusion holds only for day laborers, whose contingent employment would make them unsuited for membership on the basis of a trade or sector, but that a corporation for day laborers would likely take care of that problem, 112-13); Cullen presents a view similar to Wood’s, and is rebutted by Prosch and Westphal.
criticism that he has simply provided a Marxist reading of Hegel he notes first that his argument
is not that which Marx had moved in his *Critique of the Philosophy of Right*. Marx’s is a critique
of Hegel’s method\textsuperscript{136}, where his own is a critique of Hegel’s theory: Hegel developed a
description of the class category, but did not integrate it into the political institutions through
which such conflicting social tendencies might be resolved.

How would or could Hegel have “done it differently,” is a question one could always raise. Another is how serious a flaw is it in the overall work (which Westphal notes). One may further counter Wartenburg’s view by noting that it is precisely because the “problem of
poverty” stands outside of civil society as a problem arising out of its “unimpeded” extremes,
that it and the elements of its analysis—including socioeconomic classes—do not belong to
freedom and have no place in the system of right. But that seems to me to state the obvious, and
thus only cede ground to what is described as an ever-present and growing tendency.

**Conclusion**

According to *PR*, if the problem of poverty emerges, there has been without doubt a failure to realize freedom, and that realization according to Hegel takes a certain form in order to bring radically individual self-consciousness to the consciousness of its satisfaction and
development (civil society), and its substantial existence (the state). The problem of poverty is
evidence of a destabilizing lack of mutual recognition and freedom, which could otherwise be set

\textsuperscript{136}“In truth, Hegel has done nothing but resolve the constitution of the state into the universal, abstract idea
of the organism; but in appearance and in his own opinion he has developed the determinate reality out of the
universal Idea. He has made the subject of the idea into a product and predicate of the Idea. He does not develop his
thought out of what is objective \textit{[aus dem Gegenstand]}, but what is objective in accordance with a ready-made
thought which has its origin in the abstract sphere of logic. It is not a question of developing the determinate idea of
the political constitution, but of giving the political constitution a relation to the abstract Idea, of classifying it as a
member of its (the Idea’s) life history.” Marx, *Critique of the Philosophy of Right*, accessed at
up to moderate an unbridled pursuit of self-interest in the economy in a way that fostered a more social mentality. I think to add the competing class dynamic Wartenburg raises further complicates the issue for PR in one way, but it is not as if Hegel’s solution to the problem is a simple one, due not only to economic exigencies at the root of the problem, but the complex social differentiation in PR. The solution as Hegel envisages it is to create institutions and a corresponding consciousness to mitigate the most destructive tendencies of free individuality.

But whether it is resolved—Hegel seems to think it is—may not be what is interesting about the problem, as I suggested. We learn that this problem is first of all, rather easily misinterpreted, especially due to the false cognate of our contemporary range of social and political experiences and general (as a social fact) lack of familiarity with Hegel’s project.

The “problem of poverty” and its resolution in the PR demonstrates for our time one approach to the kind of careful social development one will have to be responsible for when theorizing how to the bring the modern, radically free individual will into alignment with a diverse and highly complex social whole-as-state.

The evergreen topic of whether the problem of poverty is resolved in PR is due not to the fact that it remains unresolved, or even due to the many ambiguities in the argument, but because the diagnostic aspects of the problem of poverty speak so directly to our time and our social problems. I think the official class structure is an important element of PR. There are certainly similarities, but there are also profound and intentional institutional differences from capitalism, which I think it is clear that PR is quite conscientiously not modeling.

This does imply limits to the work’s relevance to capitalist society. If one is to adopt as Hegel does the viewpoint that the central issue in the economic and political order is a lack of
integration and mutual recognition of the interest of the individual with that of the social whole, you will not find a more rich and interesting analysis. But if the issue of modern social inequality as such is your priority, and the problem of poverty is an early, interesting and complex reflection of that, then one will need at least an analysis that takes up capitalism as the cause of the inequality. Now this is not to suggest that those concerned about inequality are not also concerned about the cohesion of the social whole. There is a complex interaction between Hegel’s philosophical and political priorities and where poverty sits in these, but the difficulties one will encounter in attempting to draw from PR anything but the most general and initial, in terms of historical development, economic conclusions about the capitalist social order from Hegel’s analysis in PR should be seriously considered as a problem for such an approach.
CHAPTER TWO
THE SIGNIFICANCE OF THE “PROBLEM OF POVERTY” FOR MARX

Introduction

In the last chapter, we saw how the polar dynamic of social inequality—“the problem of poverty” as Hegel named it—emerged within the classical liberal problematic: How should we politically negotiate the interests of the individual and the social whole? This challenge that motivates Hegel’s Philosophy of Right also motivates a great deal of Enlightenment social philosophy and the social contract tradition. Hegel presents the broad problem of PR roughly as follows: How can the modern individual, armed with a radical form of freedom (by historical comparison) with which to pursue its interests, talents and desires, be at one with an equally modern notion of the social whole—i.e., the modern state?

In PR, the “problem of poverty” arose in the sphere of civil society, with its modern relations of production, but could not be resolved in that sphere, and its emergence exposed the limitations of the motivating principles of the civil society dynamic. For Hegel, the resolution of the “problem of poverty” required a principled political intervention at the highest level of social organization, the state. And as we have seen, there remain deep differences among the interpreters of Hegel whether the problem could ever be resolved in the way he imagines. But as I showed in the last chapter, Hegel thinks the problem can be resolved, requiring a complex network of political, cultural and economic institutional interventions.
Hegel was writing on the problem of poverty at a relatively early point of the expansion and development of capitalism, as the feudal and semi-feudal social order of Germany was disintegrating. He observed some of the basic contours of the social problem, but his work expressed the essential relations of the earlier order, and he consciously appealed to certain of the social conceptions of the feudal order as an antidote to the radically individualistic conceptions of economic and social self-interest and political personhood that emerged from the bourgeois revolutions—especially the most politically significant one, the French Revolution.

For Marx and Engels, the emergence of the problem of poverty, experienced by them somewhat later in the crucial decades of its early development in the 19th century, instead led them to view the problem of poverty as caused by a new social order that was increasingly separating society into two great classes. For Marx, the “problem of poverty” pointed to the emergence of a new class in a transition from the feudal and semi-feudal social order, and its persistence—indeed, its necessity in the capitalist order—pointed towards the next phase of human social development.

From “the Rabble” (die Pöbels) to the Proletariat

In the decades immediately following Hegel's death in 1831, a fairly general understanding of the problem of poverty was developing in European society. It was deeply

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1I am grateful to Dr. David Schweickart for his extensive suggestions in this chapter.

2Pauperism after 1815 was politically significant insofar as it was conceived as an explanation for the social unrest of 1848 that is the revolts of the nascent urban proletariat and the rural lower classes. In 1848, the lower classes were more unruly than at any time in nineteenth-century Germany. Correspondingly, when pauperism first became a topic of historical investigation after 1945, it was viewed as part of the prehistory of either the 1848 Revolution or the German socialist movement. In his history of the 1848 Revolution, Rudolf Stadelmann focused on the social revolutionary potential in the lower classes, whereas Werner Conze places his examination in the context of the history of socialism.” Hermann Beck, The Origins of the Authoritarian Welfare State in Prussia: Conservatives, Bureaucracy, and the Social Question, 1815-70 (Ann Arbor: University of Michigan Press, 1996),
connected with broad and politically varied strivings for democratic rights and freedoms and material improvement in European life, against the privileges of the remnant aristocracy and the church—strivings that would be expressed in the 1848 revolutionary uprisings across Europe.3

In an introductory gloss on the social and political conditions across Europe in the 1840s, Robert Heilbroner wrote plainly about the miserable poverty and political reaction in Germany: “Here it was, the fourth decade of the nineteenth century, and Prussia still had no parliament, no freedom of speech or right of assembly, no liberty of the press or trial by jury, and no tolerance for any idea that deviated by a hair’s breadth from the antiquated notion of the divine right of kings.”4

A more concrete understanding of this situation in Hegel’s time, and then just two decades later, when Marx and Engels enter onto the scene, will help to illustrate what is at stake theoretically, and to what each thinker (and, to a degree, the progressive social thought of that critical period) was responding. Hegel obviously cannot be held responsible for interpreting developments in the economics and politics after his own death, but these developments should not be ignored by those appealing to PR today. I offer some detail that can help inform an understanding of the many references made in the literature to Germany’s belated economic and

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political development. For example, the emancipation of the serfs in the principalities took place slowly, over six decades, from 1770 to 1830, mainly via constitutional reforms (and not revolutionary uprisings).\(^5\) In Prussia, serfs were freed in the autumn of 1807 as one of several constitutional reforms forced by the defeat of the Prussian state by Napoleon I, to which the Prussian authorities responded in part by replacing absolutist institutions with equality before the law, personal freedoms, and free trade, reforms aimed at restoring Prussia’s reputation as a leading power, and along with it its lost territory.\(^6\) Aside from the early outlier of Schleswig, a territory whose serfs were freed much earlier, the rest of the German states followed Prussia’s lead in emancipating their serfs some years later, in 1815.\(^7\) Jews were formally emancipated along with the serfs. Land reform and the improvement of agriculture increased crop yield. But the reforms did not cause old social ties to immediately dissolve, and the institutional changes and displacements would go on over a period of decades, newly conditioned by the advance of industrial expansion.\(^8\) Otto Rühle described how this affected the generations coming up that time:

In Germany, as in England and France, the proletariat was recruited out of the masses of impoverished and landless peasants and of handicraftsmen and petty burghers whose means of livelihood had been cut off by the new developments. Those of the first generation were still comfortably provided for on the soil. Those of the second generation devoted part of their labor power to home industry. Those of the third generation thronged through the gates of the factories and became a wage proletariat.\(^9\)

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\(^7\)Sagarra, 145-146.

\(^8\)Sagarra’s history examines this in some detail, showing that certain feudal political relationships would persist into the 20th century.

\(^9\)Rühle, 21.
Related to these massive social shifts, including significant population growth, the years 1820 to 1840 saw marked expansion of the number of impoverished [Pöbel] in Germany. The social continuity of “the problem of poverty” in this transitional period with the emergence of the industrial proletariat, as elucidated by Marx and Engels, is an empirical question but a significant one for this work.

Werner Conze’s classic essay, “From the Paupers to the Proletariat [Vom Pöbel zum Proletariat]” on the history of the Vormärz period, outlines the social and economic features of the emerging class and its origins in the disintegration of the aristocracy and serfdom, and a significant portion of the estates and corporations (and for that matter, the monasteries), that overlapped with the early years of industrialization. At that time in Germany there were two kinds of poor: the incorporated, who still belonged to a guild or a landlord, and the unincorporated, who belonged to none, and thus had no formal political existence through the corporate and estate system. The latter group of poor was rapidly outgrowing the former for the first time and were becoming known no longer as paupers but as the proletariat.

What follows is a translation of a section of Conze’s essay. The essay illustrates the social and political dimensions of the “problem of poverty” in the 1830s and 1840s, how it contrasted to social and material want in the immediate past, and some of its distinctive political features, including class consciousness. The passages below come out of the first third of the essay, in which Conze is establishing the socio-historical continuity between the social group,

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10 As we saw in Chapter 1, Wartenburg, places the critical emphasis on all those who fall outside of the corporations, and thus political representation.
the *Pöbel*, which Hegel identifies in *PR*, and the working class of the late-industrializing region that would burst on to the scene in the subsequent decade:

In the second half of the 18th century the enlightened princes significantly increased the productive capacity of their states by promoting trade and industry in the publishing and factory systems. In the old industrial territories—such as Bohemia, Silesia, Saxony and the Rhineland-Westphalia—small ironmongeries and textile industries had cropped up earlier, but by the first half of the 19th century these were technically backward, crisis-ridden and slow to develop. The industrialization process was related to a sensational increase in population, which of course did not affect all the German states and occurred in varying degrees, depending on territorial expansion, sustainability, industrial policy, liberal agrarian reform, population policy, location and mobility, and other factors…

The disparity between the high supply of labor and the limited number of commercial-industrial jobs grew powerfully through the 1840s. This resulted in loss of real wages and unemployment. The people in the countryside and city fell into “pauperism”, to use the catchword adopted from England. The poverty in Germany was much less a consequence of the young industry with its low wages than it was the limited capacity of German industry to absorb the growing population.

In this poverty, the distress of a rapidly growing lower class emerged. The mass misery of those years was perceived time and again by the commentators of the day as a “transitional period”, in which the bonds of the estates-based society disappeared irretrievably and the new constitutional forms of an industrial society were beginning to form, but had not yet been founded. Poverty emerged as a frightening new phenomenon—something fundamentally different from the “poor question” or the existence of the propertyless and servants in the [old] conventional sense.

This fundamentally different kind of thing, which came to consciousness in Germany in the 1830s and ‘40s, was at that time expressed through the concept “proletariat” replacing the older concept of the “paupers” [*Pöbels*] or at least restricting it in application. In these two words basically everything is decided where the development of pauperism is concerned.11

11Werner Conze, “Vom Pöbels zum Proletariat,” *Vierteljahresschrift fuer Sozial- und Wirtschaftsgeschichte* 41 (1954): 335-336. Translation is the author’s. Conze (1910-1986) was a prominent German historian through the mid-20th century. Though it was not widely acknowledged during his lifetime, he was an unregenerate supporter of the NSDAP from 1930s on, politics with which his views later in life remained quite consistent. His interest in this period of German history, as becomes clear in his essay, is the impact on political consciousness made by the expansion of the proletariat as a new class, its social matrix and patterns of life and culture.
In focusing on the emergence of the proletariat during this epochal transition, Conze’s essay analyzes some of the factors exacerbating, and also shifting, the “social question” as he establishes its basic continuity over those critical decades between the early 1800s and the uprisings of the middle-1800s. Wherever it appeared, the emergence of the new class seemed to take a sharply political form.

Conze notes that the term *Pöbels*, usually translated into English as “paupers” or “rabble,” refers to “those without of the dignity of labor,” a grouping without land, without tools, and without regular work, who were sometimes casually employed and often dependent on charity, and who did not enjoy formal political representation in the state.\(^{12}\) As the feudal order disintegrated and the new industrial order expanded, so did the size and contours of this social group.

The “problem of poverty” that Hegel had described in his time of the 1800s, ‘10s and ‘20s, a growing mass of dispossessed, casually employed or idled people, who enjoyed little material security, education or social freedom and no formal political representation through which to seek redress, had become in Germany by the 1830s and early 1840s an increasingly common condition. In some areas, it was the condition of the majority population.\(^{13}\) It is at this point that Marx (and his life-long collaborator Engels) begin to intervene, politically and theoretically.

\(^{12}\)Conze, 336.

\(^{13}\)Marx’s series of critical articles on the subjugation of peasants in the Mosel valley and the laws prohibiting the gathering of windfallen wood on what were formerly common lands, caused the social republican journal *Rheinsiche Zeitung* to be shut down by Prussian authorities. *RZ*, January 1843 (*MECW* 1, 332).
In Germany, which was then undergoing a phase of what would become known as “primitive accumulation” through enclosures of common lands, the privatization of church resources both ahead of and during the broader expansion of manufacture, large numbers of urban and peasant populations were shut out of access to the means of subsistence they had relied upon, and pushed into wage labor—and thus into the cities and towns—that is, if they were lucky enough to find work.

This process of the dismantling of the old social order and the establishment of the new, bourgeois social order, had taken place in England and Scotland some decades prior, and somewhat more recently in France, whose revolution of 1830 raised hopes across the European continent for liberal-constitutional reforms. But because Germany’s economic development was so belated, both Marx and Engels were able to observe critical elements of the transition taking place in Germany, developments on which they published a number of reports in the political journals of the day. 14 This would also bring them into direct conflict with the state, setting off not only the closing of the newspaper but, in Marx’s case, a series of expulsions—first from Germany, then from France (whose 1848 uprising Marx and Engels would follow closely, analyzing the class conflicts that emerged in the June days), and finally from Belgium.

Since the “problem of poverty” was observed to affect not merely a small and growing swath of the population, but broad regional majorities, claims made by the Prussian state that its ethos and aim was a universal notion of modern liberal freedom appeared as transparently false and darkly comical. The broader conditions that were the topics of heated debate at the time were

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14Marx first became acquainted with Engels via the latter’s articles published in RZ, of which Marx was editor, under the pseudonym Friedrich Oswald. The two men met briefly in 1842 in Paris, where Engels stopped on his way to his father’s factory in Manchester, where he was to work. They met again in 1844, and began their legendary collaborative friendship.
material insecurity, social antagonism, and denial of political representation, all of which were being imposed by the state on the poorest, and based on the exclusivity of private property rights. In other words, social conditions that obtained in Prussia at the time Marx and Engels were writing in the Rheinische Zeitung more closely resembled a universal state of denial of right, rather than its actuality, and where dispossession was imposed with the full force of the state. Such a state of un-right, an “inverted world” as Marx would refer to it in 1844, was a political and theoretical challenge for the radical social theorists of the time.

Marx confronts the problem of poverty later than Hegel did, and found conditions more advanced and distressed, with a distinctive political outline. His writings on it describe the process foundational in the capitalist epoch which he would identify later as “primitive accumulation.”

In addressing himself to the social question, and critical to his approach, developing an understanding of the economic and social relations that generated it (as well as the social, historical, political and theoretical issues those raised), Marx would become the most significant thinker of the modern era. Through the 1840s Marx worked to comprehend the new social order and the theoretical responses to it, of which the polar inequality dynamic, or “the problem of poverty” as it appeared in the PR, appeared to be only one, albeit characteristic, element of it. In coming to grips with the social crisis, Marx and Engels developed a conception of socioeconomic class and class society embedded in the latest relations of production and

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15Rheinische Zeitung (cited from this point on as RZ), January 1843, parts 1 & 2 (MECW 1, 332).

16The later identification of the transitory character of property relations in the region at that time accounts for the shift in Marx’s description of this dispossession process in the Paris manuscripts from the simpler social “disintegration” to an understanding that this disintegration providing a fresh basis for the expansion of the wage-labor system.
property form. Their collaboration developed through their attempts to distinguish their own social, economic and political conceptions from those of their predecessors, and those of their closest associates—generating controversy and conflict as a result of their presentation on the modern materialist worldview.

The conception they develop of socioeconomic class is central to their thinking. It is a category at the intersection of political economy, sociology and philosophy (i.e., social ontology). Its socioeconomic function and its political potential emerge in the course of its historical development, a development that Marx and Engels find reflected in its conceptual content and form, especially in its relationship to the other classes.

The origins of the Marxian concept of class emerged in direct response to the disconnect between the social order described in *PR* and the conditions of industrial capitalism in Germany just a decade or so after its publication. But the line of theoretical development of these economic conceptions (as we shall see) does not go directly and simply from Hegel to Marx.

Importantly, inequality and poverty in this period were not like that found in the earlier stages of human development, where deep poverty and misery had long prevailed for the great majority. The central difference was that this was poverty premised on a new and unprecedented expansion of social wealth production. The problem of poverty then is a *polar dynamic* of growing poverty amid expanding wealth (a characteristic Hegel also identifies), and this system of wealth production and the classes in it were perceived by Marx and Engels as new on the historical scene, expressing a simplified social stratification and sharpened dynamic of social conflict when compared with the epoch immediately past.
“The Problem of Poverty” and the Origins of Marxism

There is no want for literature attempting to establish the relationship between Marx and Hegel, a moment often connected, and in different ways, with Marx’s own political radicalization. It is without a doubt one of the most important theoretical relationships in the history of philosophy and social thought, but a full definition or analysis of that relationship is well beyond the scope of this chapter. But with the heavy emphasis placed in recent decades on Hegel’s influence on Marx, critical aspects of Marx’s own development have been crowded out of the picture.

Understanding Germany’s belated industrial development and the transformation of the dispossessed “rabble” or “paupers” into the proletariat helps us situate and better understand Marx’s early publications on the enclosures of lands in Germany. This is his point of entry on the modern problem of poverty—and what will eventually become known as “Marxism.”

There is an important clarification to be made regarding Marx’s understanding of the “problem of poverty,” the social inequality dynamic of his day. This can be accomplished efficiently with the help of a 1976 article by Heinz Lubasz, “The Problem of Poverty, Marx’s Initial Problematic,” in which he shows that the “problem of poverty” as it affected the peasants of the Mosel valley region in Germany was indeed Marx’s starting place as a social thinker. His starting point was not, Lubasz insists, some “philosophical” problem.

Lubasz's patient and methodical analysis focuses on the social problems that concerned Marx as they appeared in several of his articles published in the Rheinische Zeitung (RZ) in the
early 1840s. These included the coming to be of a mass of propertyless, impoverished people without a formal political existence in the Prussian state; the competing rights of different social classes; the class interests served by state intervention into the disputes over property and resources; and eventually, the class interests served by state intervention to silence the press.

This Lubasz article, which does not appear to be widely known, is valuable for the careful and systematic way he documents how the category of socioeconomic class emerges as

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17One may ask, how does a young intellectual who completed a doctoral dissertation on *The Difference between the Democritean and Epicurean Philosophy of Nature* become a newspaper correspondent writing about the subjection of German peasants? So as not to make the mistake of writing a potted biography of a major figure, I will try to answer the question as posed: Marx completed his dissertation on early ancient Greek atomism, read extraordinarily widely in his studies (he details his adventures and misadventures in his, “Letter to My Father”), and kept a wide intellectual circle among the radical social thinkers in Berlin. After a long delay in completing his doctoral thesis, Marx (along with his adviser, Bruno Bauer, dismissed from his chair on account of his theological views) confronted in 1839 Germany’s oppressive political and intellectual climate, which guaranteed he would be denied a university post. Rühle, 40-41. He would soon come to have the opportunity to, with other Young Hegelians, write for the *Rheinische Zeitung* in 1842. Rühle, 50.

In accounting for his own intellectual development more than a decade later in the famous “Preface to a Contribution to a Critique of Political Economy,” Marx wrote in 1859:

Although I studied jurisprudence, I pursued it as a subject subordinated to philosophy and history. In the year 1842-43, as editor of the *Rheinische Zeitung*, I first found myself in the embarrassing position of having to discuss what is known as material interests. The deliberations of the Rhenish Landtag on forest thefts and the division of landed property; the official polemic started by Herr von Schaper, then Oberpräsident of the Rhine Province, against the *Rheinische Zeitung* about the condition of the Moselle peasantry, and finally the debates on free trade and protective tariffs caused me in the first instance to turn my attention to economic questions. On the other hand, at that time when good intentions “to push forward” often took the place of factual knowledge, an echo of French socialism and communism, slightly tinged by philosophy, was noticeable in the *Rheinische Zeitung*. I objected to this dilettantism, but at the same time frankly admitted in a controversy with the *Allgemeine Augsburger Zeitung* that my previous studies did not allow me to express any opinion on the content of the French theories. When the publishers of the *Rheinische Zeitung* conceived the illusion that by a more compliant policy on the part of the paper it might be possible to secure the abrogation of the death sentence passed upon it, I eagerly grasped the opportunity to withdraw from the public stage to my study.

The first work which I undertook to dispel the doubts assailing me was a critical re-examination of the Hegelian philosophy of law; the introduction to this work being published in the *Deutsch-Französische Jahrbucher* issued in Paris in 1844. My inquiry led me to the conclusion that neither legal relations nor political forms could be comprehended whether by themselves or on the basis of a so-called general development of the human mind, but that on the contrary they originate in the material conditions of life, the totality of which Hegel, following the example of English and French thinkers of the eighteenth century, embraces within the term “civil society”; that the anatomy of this civil society, however, has to be sought in political economy… (*MECW* vol. p.).
the essential social aspect in the problem of poverty in Marx's *RZ* writings, and even, in very nascent form, what that emergence signified. In doing so, he draws on a number of texts in social history not available in English.

Marx’s reporting and analysis indicate clearly that the material deprivation in Germany and the cascade of political problems issuing from it—including the prohibition on publishing articles on the subject—shaped Marx's outlook profoundly.

At the time he wrote this essay, Lubasz was engaged in an ongoing discussion in the field of Marxian scholarship in the 1970s that had been profoundly affected by the student/worker uprisings in Paris in May-June 1968. He aimed to overturn what he identified as the “established thesis” of the origins of Marxism:

[T]hat Marx’s initial problematic was a philosophical one, and that only after he had cleared the philosophical decks did he begin to concern himself, theoretically and empirically, with economic matters, with the role of the proletariat, and with revolution. Philosophical speculation or reflection or critique are thus taken to have furnished Marx with the foundation on which he was to build his theories.

Lubazs claims this thesis suffers from two problems: it is both factually incorrect, and it distorts “the whole nature of the Marxian project.” He argues that the established thesis has had the effect of offering variations on one highly simplistic view of the development of Marx’s own

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18Writing a brief yet accurate characterization of a body of philosophical literature is challenging, but it would be clear to even a casual reader that the body of Marx scholarship in the years after 1968 were marked by a retreat from the issues of inequality, class politics and social revolution. A valuable reference that deals with the most influential European thought in this trend is the 1986 monograph by Ellen Meiksins Wood, *The Retreat from Class* (London: Verso). Lubazs is responding to this immediate trend, and locating it in a broader 20th century tradition of Marx scholarship that has tended to oversimplify Marx’s relationship to Hegel in a way that underemphasizes the driving force of social inequality and the logic of class struggle that issues from it, dynamics Marx and Engels would go on to elaborate.


20Ibid., 24.
theory and method—as if it was a “straightforward piece of ratiocination Marx had performed at a given moment”—which was then treated as “a warrant for reading as much Hegel into Marx as suits” a scholar.21

Lubasz's essay identifies the problem of poverty as Marx's “initial problematic.” He does so through a close analysis of two essays written in 1842 and 1843, respectively, “Proceedings of the Sixth Rhenish Diet Debates on the Law of Thefts of Wood”, and “Vindication of Correspondent†† writing from the Mosel” (†† was the symbol used by Marx to anonymously identify himself at the time). Lubasz argues that Marx's approach to the problem of poverty in these articles, which describe the problem of poverty both empirically and theoretically—i.e., as a product of relations in the society—has apparently little to do with Hegel's approach to these questions.

He makes an analysis of these early Rheinische Zeitung writings in order to reorient an understanding of the origins of Marx’s work to the social question: the “problem of poverty.” Lubasz shows through his analysis and discussion of these articles that Marx was closely focused on the consequences of the process of dispossession that created the “rabble” [Pöbels] in Germany, and that Marx’s focus preceded his direct engagement with Hegel’s philosophy in the PR.

One point of clarification: Lubazs is not claiming that Marx was, up to this point, in no way influenced by Hegel’s work. He is arguing, rather, that the RZ writings show little similarity with Hegel’s own thinking on these questions, and thus it cannot be said that Marx was operating within some Hegelian framework at this time, only to switch it around in some way that

21Ibid., 24f.
produced his own theory and method. Indeed, shortly after the *RZ* was shut down, Marx would undertake to critique of Hegel’s philosophy.

Lubasz goes on to argue on this basis that interpretive claims that Marx was coming to questions of political economy and social revolution *through philosophy*—Hegelian or otherwise—must be rejected. He explains:

> According to most accounts, Marx began as a thoroughgoing Hegelian, having been completely converted to Hegelianism by 1837, and went on to invert or transform the Hegelian philosophy largely under the influence of Feuerbach. ... This statement the proponents of the established thesis treat as though it described a straightforward piece of ratiocination Marx had performed at a given moment …. (emphasis in original)

Negatively, my aim is to show that Marx's treatment of the problem of poverty owes little enough to Hegel or Feuerbach in either formulation or method; positively, it is do justice to the originality and penetration of Marx's approach, and to point to the elements it contains of much of his later thinking. ... When he turned to Hegel or Feuerbach (or for that matter, to Moses Hess) for ideas, it was in quest of means with which to achieve a more sharply systematic formulation of problems which arose for him out of his initial socio-political problematic.

I believe Lubasz is basically correct on the three main points made in his essay: that the problem of poverty appears to be Marx’s “initial problematic”; that his approach to the problem in his early writings on the poor in Germany does not appear to owe anything to Hegel's analysis of the “problem of poverty” in the *PR*; and that Marx turns to Hegel, Feuerbach, et al., in the course of developing more systematic conceptions (in the years after these writings were produced).

I think it is clear from a reading of the *PR* and Marx’s works, particularly in light of the

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22Lubasz identifies variants of the “established thesis”—i.e., that Marx began with a Hegelian philosophical outlook, and at some definite point inverted, transformed and/or transposed a materialist standpoint from an idealist one—as being held by scholars as diverse as David Riazanov, Gyorgy Lukacs, Auguste Cornu, Herbert Marcuse, Louis Althusser and David McLellan.

23Lubasz, 24-25.
social history of the time that the relationship between Hegel's and Marx's respective analyses of the “problem of poverty” cannot be said to be a matter of Marx simply picking up where *Philosophy of Right* seemed to falter on this question.

In more recent years, since the dissolution of the USSR, aspects of the trend in Marx scholarship that Lubasz identified in the 1970s seem to have accelerated. Misrepresentations of Marx’s work sit unchallenged in the literature. Since the 1960s, a dual dynamic has developed in which Marx’s conceptions are read back into Hegel, and Hegel’s into Marx, in a way that can confound apprehension of both and diminish their originality and distinctive emphases. This is not, however, a completely new issue in the field.

In any case, in these examples of Marx's work, the debt to Hegel in the development of his own method is not yet expressed or acknowledged. To reemphasize what was stated above: Lubasz does not assert that Marx's work stands in no meaningful relation to that of Hegel; what he seeks to disprove is the claim that “Marx's initial problematic was a philosophical one, and that only after he had cleared the philosophical decks did he begin to concern himself, theoretically and empirically, with economic matters, with the role of the proletariat, and with revolution.”

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24 A recent example of this is found in Tom Rockmore’s *Marx after Marxism: The Philosophy of Karl Marx* (Hoboken: John Wiley & Sons, 2008). His central claim is that from Marx’s philosophy one can conclude Marx is a German idealist: “… [I]t is crucial to go beyond politically motivated Marxist claims for distinctions in kind between Marx and Hegel, or again between Marx and philosophy, or even between philosophy and science; for it is only in this way that one can see that in the final analysis Marx is not only a philosopher, or a German philosopher, but a German Hegelian, hence a German idealist philosopher,” 161.

25 The Russian philosopher Lyubov Akselrod described such a trend in 1927 when she wrote, “We have people who have made Hegel a Marxist so that they themselves can in the final analysis become Hegelians.” Cited in Yakhot, *The Suppression of Philosophy in the USSR* (Oak Park: Mehring Books), 138.

26 Lubazs, 24.
Drawing on a study on the composition of the working class in the early period of industrialization, Lubazs characterizes the scale of the estateless population in Germany from the time Hegel lived into the 1840s, at which time that population was becoming known as “the proletariat,” and the problem of poverty was known more generally as “the social question”:

So far as the realities of poverty are concerned, it is of decisive importance that there were two kinds of poor in Germany in the early nineteenth century. There were on the one hand the 'traditional', 'incorporated' poor, who belonging to a guild or landlord and thus (in the eyes of the law and of political theory) to civil society, had for one reason or another become impoverished and were entitled to some sort of support from guild or master in particular and from the charitable institutions of civil society in general. On the other hand, there were the 'unincorporated' poor who belonged to no guild or landlord, who were masterless and landless peasants, masterless and impoverished apprentices, or masterless and unemployed servants, and had no fixed place in the established order... As they belonged to none of the estates that made up civil society, they did not really form a part of civil society at all, nor, a fortiori, of the state... The estate of those of no estate was thus part if the population, of the people or nation, yet not part of civil society. The striking fact is that these outsiders to the social order were coming to constitute the majority of the population! Their number had long been substantial, but by the last third of the eighteenth century they made up a third or even half of the population of some German cities and rural areas, and in the first half of the nineteenth century they increased still further. By 1846 they amounted in Prussia to almost two-thirds of the population.27

In contrasting Marx's approach in the RZ reports with that of other Young Hegelians, Lubazs notes that Marx did not begin with a theoretical or political a priori on these questions, but inquired into the historical development of the relevant social institutions, and, rather than publishing doctrinaire attacks on the state, he investigated its operations for an understanding of its capacity to deal with the problem of poverty.28

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28Lubazs, 27.
What this shows, in Lubazs's view, is that “Marx insisted that theoretical concepts and value premises must operate with, and that theory must be grounded in, a thorough grasp of empirical reality.”

Marx's conception in these works poses the customary right of the poor to certain products of the land—in this case, windfallen wood and wild animals—as one conflicting with the right of property owners (the “owners” of the forests and land) to prevent them from doing so. Marx points to the historic shift in property forms from the previous epoch’s feudal “dual use” property—neither fully public nor fully private land—to exclusive private property, and the ensuing loss of access to that land for which the peasants were not compensated. That loss of a means of subsistence was compounded by the poor’s exclusion from social and political rights, those formal relations to the state through which their grievances might be addressed.

In distinguishing Marx's approach from Hegel's on this issue, Lubazs highlights two presuppositions operating in Marx's analysis of the debates on the laws prohibiting thefts of wood in the RZ: 1) though standing in no formal relation to the state, propertyless and estateless people still express a basic humanity that has a social and political significance vis-à-vis property, and that 2) “the ideal of the state as both all-embracing and rational, of the state as universal both in the sense that it includes all strata of the population and in the sense that it is

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29Ibid.

30Ibid., RZ quoted in Lubazs.

31RZ, Nos. 298 and 300. (MECW 1, 332) This exclusion is also the most significant failure of right in Hegel's PR in Wartenburg's view—examined in the previous chapter, and, in my view, the main point on which Hegel can be accurately charged with apologetics for the Prussian state.

32"It would be impossible to find a more elegant and at the same time more simple method of making the right of human beings give way to that of young trees." [25 October 1842]). (Ibid.) RZ, Supplement to Nos. 298, 300, 303, 305 and 307.
the domain of the general interest” bore little resemblance to the social reality.  

Lubasz concludes with what he sees Marx as having accomplished in the *RZ* articles:

[Marx] has reversed the usual perspective on the problem of poverty: so far from the poor being a problem to state and civil society, it is the state and civil society themselves which constitute the problem. Civil society has for centuries been progressively dispossessing those who are now propertyless and is continuing to do so. The present condition of the poor is no ‘natural’ condition but the outcome of an historical process... still underway. The state has so far failed to include this substantial segment of the population within its system. It has moreover, so far failed to secure the sway of the general interest over the private material interests of the estates... The second way in which Marx characterizes the poor reverses the usual judgment of them as amoral if not immoral, asocial if not anti-social, somehow not fully human. In Marx's eyes the poor are almost quintessentially human: they do not make the non-human, an alien material being, into their god; what they have, they have in common; their sense of right is instinctive, and instinctively social as well as humane; their right is world-wide, 'the right of the poor in all countries,' as opposed to the merely particular rights, the positive laws of this or that established social order. The poor are the elemental, basal class of human society: it is universal human society they belong to, not this or that civil society.

The reversal above is not simply rhetorical, although one cannot fail to note its force.

There is a conceptual move being made: the proletariat's exclusion from the right of civil society, an inversion of the supposed universal claim to right in the society, is itself inverted; the exclusion from formal right becomes an inclusion into the most elemental group of humanity. This move offers some deeper insight into the concept of species-being borrowed from Feuerbach in Marx's works from this period, and, perhaps to a more limited extent, the logic that will begin to unfold in the development of his political thought.

It is important to keep in mind the point that Marx would emphasize again and again in criticizing his contemporaries. While there is a sense in which these newly transformed property relations “reset” the social order, they are a definite outcome of a historically-conditioned

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33Lubasz, 30.

34Ibid., 32-33.
process of social development, and not some eternal feature of humanity or its social relationships.

Only after resigning his editorial position at the Rheinische Zeitung, a move which nonetheless failed to save the paper from being shut down, did Marx began a systematic study of political economy and critique of Hegelian philosophy, including Philosophy of Right, where he set to work out theoretically an understanding of the concrete social relations he had initially analyzed in the RZ.35

Lubasz emphasizes the importance of the following paragraph from Marx’s 1843 essay, “Toward a Critique of Hegel’s Philosophy of Right”: Introduction” for understanding how the problem of poverty motivated Marx's subsequent work:

In heralding the dissolution of the order of things that has existed hitherto, the proletariat is merely expressing the secret of its own existence, for it is the factual dissolution of that order of things. In demanding the negation of private property, it is merely making into the principle of society what society has made into the principle of the proletariat, what is embodied in it [proletariat] as the negative outcome of society quite without any contribution [to that outcome] on the part of the proletariat [schon ohne sein Zutun].36

In other words, already and just as the bourgeois order was firming up and establishing itself, the conditions it imposed on the growing majority—now having nothing to sell but labor-power—represent the antithesis of the definitive property form of the new order, private ownership of means of production. It seemed evident to Marx that this was a highly unstable social dynamic.

In his critique of PR, Marx claims that the procession of social and institutional

35Engels recalled in 1877 that by the beginning of 1843, the censors “had been worn down and, finding it impossible to keep each individual article of the RZ in line politically, moved to suppress the publication altogether.” (MECW 24, 183-84).

formations within civil society and the state set out by Hegel is formulaic, charging that this ‘formulism’ is a product of an eschatology already fully explicated in Hegel's *Science of Logic*, rather than a scientific study of the development of the society and its laws.\(^{37}\) And here we find some additional support for a view like Lubazs’s, as Marx’s criticism contrasts to his own approach.

It is, of course, well-understood that Marx’s critique of *PR* was a critical step in the development of his own thought on both Hegelian philosophy and on the nature and role of the bourgeois state. Lubazs’ work demonstrates that Marx’s critique was not a clarification in the realm of the ideal. It was the extreme social distress in Germany that compelled Marx to develop a sharper theoretical expression than what held sway among the Young Hegelians. What is at stake in Marx’s notes is the question as to whether the normative role of the state in negotiating the competing interests within the society in a way that produces a general good conforms in any meaningful way with the state’s *actual* existence and political function.

Finally, to understand the full implications of Lubasz’s argument, it is useful to keep in mind the influence of Hegelian philosophy more broadly in Germany during Marx’s lifetime. Hegel was immensely influential, but he was not, as is often suggested, held up by the Prussian state as its “official” philosopher. Warren Breckman notes that in the wake of the 1830 French

\(^{37}\)“The transition of the family and civil society into the political state, is therefore this: the mind of these spheres, which is implicitly the mind of the state, now also behaves to itself as such... The transition is thus derived, not from the particular nature of the family, etc., and from the particular nature of the state, but rather from the general relationship of necessity to freedom. It is exactly the same transition as is effected in logic from the sphere of essence to the sphere of concept. The same transition is made in the philosophy of nature from inorganic nature to life. It is always the same categories which provide the soul, now for this, now for that sphere.” (Critique of the *PR*, *MECW* 3, 10).
revolution, “Hegelianism was a victim of a general reactionary shift in German politics.” The long tail of that reactionary shift, which lasted through the late 19th century, is alluded to by Marx in his affirmation of Hegel’s influence on his later work, in response to his critics. In the afterword to the Second German edition of *Capital*, Volume 1 (1873), Marx explains:

The mystifying side of Hegelian dialectic I criticised nearly thirty years ago, at a time when it was still the fashion. But just as I was working at the first volume of “Das Kapital,” it was the good pleasure of the peevish, arrogant, mediocre *Epigoni* who now talk large in cultured Germany, to treat Hegel in same way as the brave Moses Mendelssohn in Lessing’s time treated Spinoza, i.e., as a “dead dog.” I therefore openly avowed myself the pupil of that mighty thinker, and even here and there, in the chapter on the theory of value, coquetted with the modes of expression peculiar to him. The mystification which dialectic suffers in Hegel’s hands by no means prevents him from being the first to present its general form of working in a comprehensive and conscious manner. With him it is standing on its head. It must be turned right side up again, if you would discover the rational kernel within the mystical shell.

In its mystified form, dialectic became the fashion in Germany, because it seemed to transfigure and to glorify the existing state of things. In its rational form it is a scandal and abomination to bourgeoisdom and its doctrinaire professors, because it includes in its comprehension and affirmative recognition of the existing state of things, at the same time also, the recognition of the negation of that state, of its inevitable breaking up; because it regards every historically developed social form as in fluid movement, and therefore takes into account its transient nature not less than its momentary existence; because it lets nothing impose upon it, and is in its essence critical and revolutionary.

At the time of his RZ writings, Marx was a young social-radical who had adopted the practice of developing his own views by setting them against those of the major figures and influences of his time. But he was not alone in this; it seems to have been a widespread practice in his circle.

While it is well established that his critique of the *Philosophy of Right*, written after he had

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38Breckman, 133. In presenting background to the attacks on Hegel’s philosophy in Germany in the 1830s, Breckman adds that the more aggressive attacks of Prussian conservatives in the later 1830s have to be seen as part of the intensifying reaction against constitutionalism, which found broader expression in the conflicts between defenders of monarchical authority and alternative conceptions of sovereignty (Breckman, 135).

delved into the social question as political journalist, the specifics involved illuminate some important features of his approach to social and political questions, and allow us to see in early outline some features materialist method. Marx’s critique of Pierre-Joseph Proudhon would mark another major turning point in his understanding of both political economy and social theory. 

**The “Problem of Poverty” in *The Poverty of Philosophy***

Throughout the 1840s, Marx and Engels, sometimes joined by their co-thinkers like Joseph Weydemeyer, distinguished their own thought and politics from that of their main influences and contemporaries—from Bruno Bauer in *The Holy Family* (1844), from Bauer, Stirner and the idealist theory and method of the Young Hegelians in general in *The German Ideology* (1846), from Proudhon in *The Poverty of Philosophy* (1847), as well as from Feuerbach and Hegel—all of this prior to the completion of *The Communist Manifesto* in 1848. These works among others, as Engels noted, constituted a massive effort at self-clarification.40

In what follows, I focus on Marx’s criticisms in *The Poverty of Philosophy* of Proudhon’s treatment of the social question. This is a work produced in early 1847, and closely related in content to *Wage Labor and Capital*, written in the second half of the same year. The latter work is an initial articulation of wage labor, the labor commodity (labor-power), the origin of the price of commodities, origins of surplus value, and the source of capital (or, much of the content of *Capital*, Vol. 1). Both works are responses to Proudhon. *The Poverty of Philosophy* is

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40In the preface to *A Contribution to the Critique of Political Economy*, published in Berlin, 1859, Karl Marx relates how the two of us in Brussels in the year 1845 set about: “to work out in common the opposition of our view”—the materialist conception of history which was elaborated mainly by Marx—to the ideological view of German philosophy, in fact, to settle accounts with our erstwhile philosophical conscience. The resolve was carried out in the form of a criticism of post-Hegelian philosophy. The manuscript, two large octavo volumes, had long reached its place of publication in Westphalia when we received the news that altered circumstances did not allow of its being printed. We abandoned the manuscript to the gnawing criticism of the mice all the more willingly as we had achieved our main purpose—self-clarification! Engels, Foreword, *Ludwig Feuerbach and the End of Classical German Philosophy*” (MECW 26, 519).
an economic and philosophical critique, the second is an exposition of Marx’s own economic thinking in contradistinction to that of Proudhon’s on wages and surplus.

Marx, Engels and their co-thinkers recognized Proudhon’s influence a giant of radical social thought in the 1840s. In subsequent decades both Marx and Engels would try to place his influence and the significance of his work in the socialist movement more generally. Marx credits Proudhon here with laying critical emphasis on private property, famously declaring, in his treatise *What Is Property?*, published in 1840: “Property is theft!”

Marx would go on to identify what he took to be the severe limitations and errors of Proudhon’s attempt to systematically account for the workings of capital and the origins of social inequality. His response to Proudhon’s 1846 work, *The System of Economical Contradictions, or the Philosophy of Poverty* (*Système des contradictions économiques ou Philosophie de la misère*), was understood by the followers of Marx and Engels at the time as a theoretical substantiation of the platform of the proletarian party which was taking shape. It was also Marx’s first published work in political economy.

While scholarly views on the significance of *The Poverty of Philosophy* has tended to

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41[Proudhon’s] first work, Qu’est-ce que la propriété? [What Is Property? or, An Inquiry into the Principle of Right and of Government], is undoubtedly his best. It is epoch-making, if not because of the novelty of its content, at least because of the new and audacious way of expressing old ideas. In the works of the French socialists and communists he knew “propriété” had, of course, been not only criticized in various ways but also “abolished” in a utopian manner. In this book Proudhon stands in approximately the same relation to Saint-Simon and Fourier as Feuerbach stands to Hegel. Compared with Hegel, Feuerbach is certainly poor. Nevertheless he was epoch-making after Hegel because he laid stress on certain points which were disagreeable to the Christian consciousness but important for the progress of criticism, points which Hegel had left in mystic clair-obscur [semi-obscurity].” Letter to Schweizer, 1865 [*MECW* 20, 26].

Additionally, the Proudhonists involved in the leadership of the Paris Commune would come in for praise and criticism by Marx and Engels in “The Civil War in France,” and its 1891 introduction by Engels. Accessed at https://www.marxists.org/archive/marx/works/1871/civil-war-france/postscript.htm

42Vera Morozova, “Introductory Note to the Poverty of Philosophy,” (*MECW* 6, 672).
depend on which issues predominate in a given period, the work is at minimum regarded as having played an essential role in the development of Marx's own thought—it contains the first iteration of the law of value.

In many important respects, the 1847 *The Poverty of Philosophy* laid the foundations for Marx’s and Engels’ future work. Historian Otto Rühle remarked on its tremendous polemical force, reading “like a rough draft of the *Communist Manifesto.*” In her 1956 review, appearing in the *Economic Journal,* upon the work’s republication, Cambridge economist Joan Robinson acknowledged that *The Poverty of Philosophy*’s articulation of the law of value is exceptionally clear. In his 2008 work on Marx’s economic thought, Samuel Hollander devotes a chapter to the thesis that *The Poverty of Philosophy* was “A ‘First Draft’ of Capital 1847-1849.”

For its part, Proudhon’s *System of Economic Contradictions, or the Philosophy of Poverty* was a vigorous critique of contemporary political economy, aimed at laying the theoretical basis of socialism, including an understanding of the central contradiction of the modern era: the production of increasing poverty amid expanding social wealth.

From a reading of it, it is easy to see why Proudhon became so influential. He cut a striking figure, and he was willing to name some of the vulgarly ideological falsehoods employed by both political economists and representatives of the state:

> To it [socialism], political economy, regarded by many as the physiology of wealth, is but the organization of robbery and poverty; just as jurisprudence, honored by legisls with the name of written reason, is, in its eyes, but a compilation of the rubrics of legal and official spoliation,—in a word, of property. Considered in their relations, these two

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43Rühle, 116.


pretended sciences, political economy and law, form, in the opinion of socialism, the complete theory of iniquity and discord. Passing then from negation to affirmation, socialism opposes the principle of property with that of association, and makes vigorous efforts to reconstruct social economy from top to bottom; that is, to establish a new code, a new political system, with institutions and morals diametrically opposed to the ancient forms.46

However sincerely motivated Proudhon was by has anger and indignation at the exploitation of the workers and the poor, he was, as Marx ruthlessly and systematically noted throughout his own response, ultimately incorrect about the basic operations of capitalism. Proudhon’s fiery denunciations, in Marx’s view, still left the capitalist engine of inequality and poverty in place, even if his proposed remedies might mitigate to a degree some of its more destructive features.47 Proudhon’s was an approach that Marx claimed typified middle-class socialism and the utopian thinking of the time.48


47Proudhon’s proposals were connected to his understanding of modern production as essentially small-scale and based in the workshop, with only a few large concerns existing as outliers (and to which he was hostile). Thus the methods of class struggle and combinations of workers Proudhon rejected in favor of individual good sense that greased the wheels of bourgeois commerce. In response to a recent repression, Proudhon wrote:

> And the reason, which it would be vain to try to brush aside, is that competition is legal, joint-stock association is legal, supply and demand are legal, and all the consequences which flow directly from competition, joint-stock association, and free commerce are legal, whereas workingmen’s strikes are ILLEGAL. And it is not only the penal code which says this, but the economic system, the necessity of the established order. As long as labor is not sovereign, it must be a slave; society is possible only on this condition. That each worker individually should have the free disposition of his person and his arms may be tolerated; 6 but that the workers should undertake, by combinations, to do violence to monopoly society cannot permit. Crush monopoly, and you abolish competition, and you disorganize the workshop, and you sow dissolution everywhere. Authority, in shooting down the miners, found itself in the position of Brutus placed between his paternal love and his consular duties: he had to sacrifice either his children or the republic (p. 178).

48MECW 6, 17.
Proudhon’s approach appealed to broad theological concepts, like a rational and social God, and it developed apparent antinomies, or other contradictory relationships, inspired by Hegel’s philosophy, but which failed to connect with the concrete economic conditions confronting the working class. According to Marx, Proudhon missed his target by such a great distance that neither the origins of the institutions in question were accounted for, nor did it seem to follow that some future socialist order could issue from them. Thus Marx’s criticism of Proudhon can be summed up as: the cause of the modern inequality dynamic, “the problem of poverty,” cannot be theorized abstractly, without reference to the real, historical development of bourgeois social relations. Proudhon’s work is far from a study of the socio-historical development of a social order, or what Marx and Engels would refer to as “a scientific approach.” It is, rather, an abstract, moral-philosophical accounts of economic relationships.

Methodologically, Marx’s critique of Proudhon offers us some insight into the distinction Marx emphasizes between “philosophy” (taken here, pejoratively) and science. His critique is summed up in a letter in reply to the request of his Russian acquaintance Pavel Vasilyevich Annenkov for his opinion on Proudhon's *Système des contradictions économiques, ou Philosophie de la misère*, or *The Philosophy of Poverty*. Notice Marx’s highlighting the concrete historical and economic developments:

Protected by the corporative and regulatory system, capital had accumulated, maritime trade had expanded, colonies had been founded—and man would have lost the very fruits

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49The opening lines of *System of Economic Contradictions or the Philosophy of Poverty* read: “Before entering upon the subject-matter of these new memoirs, I must explain a hypothesis which will undoubtedly seem strange, but in the absence of which it is impossible for me to proceed intelligibly: I mean the hypothesis of a God. To suppose God, it will be said, is to deny him. Why do you not affirm him?” (Proudhon, 4). In the second chapter he goes on to distinguish political economy as science from philosophy. But it was not only the most abstract basis of his theory Marx thought had to be rejected. His political economic views were incorrect on Marx’s analysis and these influenced his strategy and tactics. For instance, based on his conception of the wage and its origin (in the prices of goods), Proudhon asserted that strikes should be dispensed with. Strikes are never followed by rises in wages, he writes, and instead tend to create a rise in prices. (Proudhon, 73).
of all this had he wished to preserve the forms under whose protection those fruits had ripened. And, indeed, two thunderclaps occurred, the revolutions of 1640 and of 1688. In England, all the earlier economic forms, the social relations corresponding to them, and the political system which was the official expression of the old civil society, were destroyed. Thus, the economic forms in which man produces, consumes and exchanges are transitory and historical. With the acquisition of new productive faculties man changes his mode of production and with the mode of production he changes all the economic relations which were but the necessary relations of that particular mode of production. It is this that Mr. Proudhon has failed to understand, let alone demonstrate. Unable to follow the real course of history, Mr. Proudhon provides a phantasmagoria which he has the presumption to present as a dialectical phantasmagoria. He no longer feels any need to speak of the seventeenth, eighteenth or nineteenth centuries, for his history takes place in the nebulous realm of the imagination and soars high above time and place. In a word, it is Hegelian trash, it is not history, it is not profane history—history of mankind, but sacred history—history of ideas.  

In his response to Proudhon, Marx would publish for the first time the basic outline of his own theory of capitalist production, which included such concepts and topics as the forms of use and exchange value, socially necessary labor time, competition and productivity in determining the value of labor and the impact of mechanization on productivity.

The work also offers an account of the relationship between modes of production and property forms, and the respective political institutions of the bourgeois and medieval epochs, in order to illustrate the thesis that the political forms of a social order correspond to its mode and relations of production. This is at the center of Marx’s criticism of Proudhon’s work: his attempt to appropriate Hegel’s philosophy and apply it to his ideas about economic relationships does not account for the origins and structure of those economic relationships themselves.

50Marx, Letter to Pavel Annenkov (MECW 38, 97).

51For example, Proudhon aims to locate the origin of social inequality in the division of labor. Marx attacks his ahistorical collapse of all past social orders’ divisions of labor under the same idea: “Castes, corporations, manufacture, large-scale industry must be explained by the single word divide. First study carefully the meaning of "divide", and you will have no need to study the numerous influences which give the division of labor a definite character in each epoch” (MECW 6, 179).
Proudhon had invited Marx to respond to his work, which came in the form of *The Poverty of Philosophy, an Answer to Proudhon*, in early 1847. Marx’s response was considered to be controversial for its uncollegiality. The critique was severe, pointing throughout to the work’s central failure, and then counterposing certain points to his own understanding of the economic and social order. Marx’s main contention was that capitalist social relations are not only morally objectionable, but connected with relations of material production in concrete and historically specific ways, ways that have peculiar social implications:

Proudhon, the economist, knows well enough that human beings make cloth, linen, silk, under specific productive relations. But what he has failed to grasp is that these specific social relations are just as much products of human activity as are cloth, linen, etc. The social relations are intimately connected with the forces of production. [emphasis added] With the acquisition of new productive forces, men modify their method of production; and as they modify their method of production, as they change the way in which they make their livelihood, they simultaneously transform all relations of social life. . . . These same human beings, who create social relations in accordance with the material relations of production, also create principles, ideas, categories, in accordance with social relations. Thus these ideas, these categories, are no more eternal than the relations they express. They are historical, transitory products.52

In Marx’s view Proudhon’s central error lies in his attempting the moral improvement of economic relationships as if these relationships were simply matters of free choice among the individuals concerned, which could be readily modified to conceptions of human equality, liberty and dignity. Marx’s criticism of Proudhon seeks to clarify the economic relationships, categorically and historically, and then connect these to the forces and relations of production.

Marx here characterizes the production of inequality as dual, producing, simultaneous and necessarily, both wealth and poverty:

From day to day it has becomes clearer that the production relations in which the bourgeoisie moves have not a simple, uniform character, but a dual character; that in the selfsame relations in which wealth is produced, poverty is also produced; that in the selfsame relations in which there is a development of the productive forces, there is also a force producing repression; that these relations produce bourgeois wealth—i.e., the wealth of the bourgeois class—only by continually annihilating the wealth of the individual members of this class and by producing an ever-growing proletariat.\footnote{Marx, 1960 / MECW.}

Another notable feature of \textit{The Poverty of Philosophy} is the awareness Marx expresses of the implications of his views for social theory in general. Marx characterizes the attitudes of the various schools of thought on poverty and the condition of the working class. He begins with the fatalist economists, like Smith and Ricardo, who are “indifferent to what they call the drawbacks of bourgeois production as the bourgeois themselves are in practice to the sufferings of the proletarians who help them to acquire wealth,” and seek “only to purge economic relations of feudal taints, to increase the productive forces and to give a new upsurge to industry and commerce.”\footnote{MECW 6, 176.} “Poverty,” Marx explains, “is in their eyes merely the pang which accompanies every childbirth, in nature as in industry.”\footnote{Ibid.}

He contrasts these to the Romantics, “who belong to our own age, in which the bourgeoisie is in direct opposition to the proletariat; in which poverty is engendered in as great abundance as wealth. These economists now pose as blasé fatalists, who, from their elevated position, cast a proudly disdainful glance at the human machines who manufacture wealth.”\footnote{Ibid.}
Marx then contrasts both of these with the “humanitarian school,” with whom he associates Proudhon’s theory and method. This school:

takes to heart the bad side of present-day production relations. It seeks, by way of easing its conscience, to palliate, even if slightly, the real contrasts; it sincerely deplores the distress of the proletariat, the unbridled competition of the bourgeois among themselves; it counsels the workers to be sober, to work hard and to have few children…[T]he whole theory of this school rests on interminable distinctions between theory and practice, between principles and results, between idea and application, between content and form, between essence and reality, between law and fact, between the good side and the bad side.57

It is to Proudhon’s suggestion that poverty is a kind of “bug” or inessential negative characteristic that may be refined out of the capitalist social order that Marx directs one of his more biting comments, which seems to be aimed at the general reformist tendencies in his milieu:

The most common kind of socialist self-complacent reflection is to say that all would be well if only it were not for the poor on the other side. This argument may be developed with any conceivable subject-matter. At the heart of this argument lies the philanthropic petty-bourgeois hypocrisy that is perfectly happy with the positive aspects of existing society and laments only that the negative aspect of poverty exists alongside them, inseparably bound up with present society, and only wishes that this society may continue to exist without the conditions of its existence.58

In addition to Marx’s clear and precise determination of the features of the class dynamics of bourgeois society, and the new class dynamic of the bourgeoisie and proletariat in its early and intermediate stages, Marx also elucidates the role of the essentially “moralistic” socialist and communists intellectuals in the early period, who stand in opposition the “scientific” economists of the day, a role that will change, he thinks, as the movement of history makes ever clearer the internal contradictions of capitalism, thus changing the nature of

57MECW 6, 177.
58MECW 6, 246.
Just as the economists are scientific representatives of the bourgeois class, so the socialists and communists are the theoreticians of the proletarian class. So long as the proletariat is not yet sufficiently developed to constitute itself as a class, and consequently so long as the struggle itself of the proletariat with the bourgeoisie has not yet assumed a political character, and the productive forces are not yet sufficiently developed in the bosom of the bourgeoisie itself to enable to catch a glimpse of the material conditions necessary for the emancipation of the proletariat and for the formation of a new society, these theoreticians are merely utopians who, to meet the wants of the oppressed classes, improvise systems and go in search of a regenerating science.

But in the measure that history moves forward, and with it the struggle of the proletariat assumes clearer outlines, they no longer need to seek science in their minds; they have only to take note of what is happening before their eyes and to become its mouthpiece. So long as they look for science and merely make systems, so long as they are at the beginning of the struggle, they see in poverty nothing but poverty, without seeing it in the revolutionary, subversive side, which will overthrow the old society. From this movement, science, which is a product of the historical movement, has associated itself consciously with it, has ceased to be doctrinaire and become revolutionary.59

In pointing out that poverty is not only poverty, a problem to be solved, and instead a signal of the development of a different social order entirely is where Marx pivots in 1847 from direct critique of Proudhon to presenting his own account of economic order, including what he believes this entrenched poverty signifies.

The “Reserve Army of Labor”

The existence of poverty, and unemployment and underemployment are not, as some of the economists Marx mentioned once suggested, ugly but inessential blemishes on the face of the capitalist mode of production. To the contrary, poverty—stemming from both wage labor and persistent unemployment and underemployment—is a byproduct of its healthy functioning, something that even in Hegel’s time could be identified, although it had not yet been explained.

59MECW 6, 178.
Marx will to show poverty is necessary to capitalism, and critical to its success, and further that this fact holds revolutionary implications.

First, the mainspring of inequality in the capitalist mode of production is wage labor, which produces, ultimately, capital itself. This Marx presents in argumentative form in Capital, volume 1, first published in 1867. In preparatory material for Chapter 6 of Capital volume 1, Marx describes the polar inequality dynamic that is a result of capital production. Saying that the production process creates capital is only another way of saying that it has created surplus value.

But the matter does not rest here. The surplus value is reconverted into additional capital, is manifested in the formation of new capital or capital of greater size. Thus capital has created capital; it has not just realized itself as capital. The accumulation process is itself an immanent moment of the capitalist production process. It includes the creation of new wage laborers who are means to the realization and augmentation of the existing capital, whether because sections of the population not previously seized on by capitalist production, such as women and children, are now subsumed under it, or because a greater number of workers, resulting from the natural increase of the population, are subjected to it. It emerges from a closer examination that capital itself regulates this production of labor power, the production of the mass of human beings it intends to exploit, in accordance with its requirements for this exploitation.

Capital therefore does not just produce capital, it produces a growing mass of workers, the material which alone enables it to function as additional capital. Hence not only does labor produce the conditions of labor on an ever-increasing scale as capital, in opposition to itself; capital, for its part, produces on an ever increasing scale the productive wage laborers it requires. Labor produces its conditions of production as capital, and capital produces labor as the means of its realization as capital, as wage labor. Capitalist production is not only the reproduction of the relation, it is its reproduction on an ever-growing scale; and in the same proportion as the social productive power of labor develops, along with the capitalist mode of production, the pile of wealth confronting the worker grows, as wealth ruling over him, as capital, and the world of wealth expands vis-à-vis the worker as an alien and dominating world. At the opposite pole, and in the same proportion, the worker’s subjective poverty, neediness and dependency develop. The deprivation of the worker and the abundance of capital correspond with each other, they keep in step. At the same time the numbers of the working proletarian, these living means for the production of capital, increase.60

60Economic Manuscripts of 1861-64, MECW 34, 462-463.
Marx describes here the polar dynamic of social inequality amid expanding wealth. The demonstration in volume 1 of *Capital* that labor is the sole source of surplus-value (and as such, the basis of profit, rent and interest), “surplus-value” being the difference between the value of wage paid to workers and the value they contribute in the production process, is to many (myself included) a landmark discovery in the human sciences, and the central social scientific contribution to an understanding of the modern social inequality dynamic.61

But two decades prior to the development of the full analysis of the source of surplus value, in clarifying his own views vis-à-vis Proudhon, Marx introduces a key element of his overall argument: “the reserve army of labor.” He notes the formal economic and ideological justifications at play in the capitalist class’s maintenance of a surplus population that it is neither responsible to, nor, in any official sense, responsible for:

Big industry constantly requires a reserve army of unemployed workers for times of overproduction. The main purpose of the bourgeois in relation to the worker is, of course, to have the commodity labor as cheaply as possible, which is only possible when the supply of this commodity is as large as possible in relation to the demand for it, i.e., when the overpopulation is the greatest. Overpopulation is therefore in the interest of the bourgeoisie, and it gives the workers good advice which it knows to be impossible to carry out.

Since capital only increases when it employs workers, the increase of capital involves an increase of the proletariat, and, as we have seen, according to the nature of the relation of capital and labor, the increase of the proletariat must proceed relatively even faster.

The above theory, however, which is also expressed as a law of nature, that population grows faster than the means of subsistence, is the more welcome to the bourgeois as it silences his conscience, makes hard-heartedness into a moral duty and the consequences of society into the consequences of nature, and finally gives him the opportunity to watch the destruction of the proletariat by starvation as calmly as other natural event without bestirring himself, and, on the other hand, to regard the misery of the proletariat as its

61In essence, Marx shows that the same kind of relationship that existed under slavery and feudalism—a subordinate class doing the work necessary for their own subsistence, and additional work for the dominant class—exists under capitalism, but, unlike the earlier cases of obvious exploitation, the “invisible hand” of the market and the existence of “free laborers” now renders the exploitive nature of the current system itself less visible.
own fault and to punish it. To be sure, the proletarian can restrain his natural instinct by reason, and so, by moral supervision, halt the law of nature in its injurious course of development.\textsuperscript{62}

In this early passage, Marx points to “natural” population growth. Due to (the bourgeoisie proclaim) the proletariat’s lack of reason in restraining their natural instinct—thus absolving them (the bourgeoisie) of any moral responsibility their misery. They can reap the benefits of more and more workers competing for the jobs they have to offer, without feeling any guilt. In \textit{Capital}, he introduced another key factor, determined not by “nature,” but by the system itself as capitalism develops and expands, the “organic composition of capital” tends to increase. That is so say, as the productivity of labor increases, the mass of “constant capital” (capital invested in raw materials, machinery and other non-human “means of production”) grows more rapidly than the mass of “variable capital” (capital used to pay the wages of its workers).\textsuperscript{63} With the growth of technology, production becomes more efficient. Machine production expands productive capacity, and so fewer workers are needed to produce the commodities required. Through this process, capital also becomes increasingly concentrated and ever more centralized, and the “reserve army of labor” grows ever larger.\textsuperscript{64}

If this is the general tendency, then a growing part of the human population becomes superfluous to the needs of capital accumulation. This unemployed part of the working class is

\begin{itemize}
  \item \textsuperscript{62} \textit{The Poverty of Philosophy. MECW} 6, 433-434.
  \item \textsuperscript{63} \textit{Capital}, Volume 1, Chapter XXV (MECW 35, 608). The organic composition of capital is the ratio of constant capital/variable capital.
  \item \textsuperscript{64} “Capitalist production can by no means content itself with the quantity of disposable labour power which the natural increase of population yields. It requires for its free play an industrial reserve army independent of these natural limits.” \textit{Capital}, Volume 1, XXV The general law of capitalist accumulation (MECW 35, 629).
\end{itemize}
capitalism’s “industrial reserve army.” 65 Of course, this “reserve army” can shrink or expand as sections of it are absorbed or expelled from the employed workforce, due to technological change, but, in Marx’s view, its size will, in the long run, get ever larger, as productivity growth continues.

In short, Marx’s view is that capitalism requires poverty. It requires an “industrial reserve army” of unemployed people desperate to work. And this “reserve army” will inevitably grow larger as technological progress allows more and more to be produced with fewer and fewer workers. Recall our earlier quote:

The same causes which develop the expansive power of capital, develop also the labor power at its disposal. The relative mass of the industrial reserve army increases therefore with the potential energy of wealth. But the greater this reserve army in proportion to the active labor army, the greater is the mass of a consolidated surplus population, whose misery is in inverse ratio to its torment of labor. The more extensive, finally, the lazarus layers of the working class, and the industrial reserve army, the greater is official pauperism. This is the absolute general law of capitalist accumulation.66

But for Marx, this is not the end of the story. For as capitalism develops, wealth and poverty both increase, but, as capital becomes ever more concentrated, the size of the capitalist class itself actually diminishes, setting the stage for radical transformation. In the closing pages of the penultimate chapter of Capital, Volume 1, he tells us:

One capitalist always kills many. Hand in hand with this centralization, or this expropriation of many capitalists by few, develop, on an ever increasing scale, the cooperative forms of the labour-process, the conscious technical application of science, the methodical cultivation of the soil, the transformation of instruments of labour only usable in common, the economizing of all means of production by their use as the means of production of combined, socialized labor, the entanglement of all peoples in the net of the world market, and with all this, the international character of the capitalistic regime.

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65 Marx credits Engels with coining this phrase in his 1844, The Condition of the Working Class in England.

66 Capital, volume 1, XXV The general law of capitalist accumulation (MECW 35, 638).
monopolize all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation: but with it too grows the revolt of the working-class, a class always increasing in numbers, and disciplined, united, organized by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.67

67Ibid., 714-715.
Brief Historical Preface: The New Era of Modern Imperialism

Karl Marx died in 1883, but the international workers movement his work influenced would grow, and along with it, its theoretical and methodological approach to political, economic, social and cultural questions.¹ The long decades of the belle époque (1871-1914), characterized by relative domestic prosperity and peace (by European standards) and violent colonial expansion, would come to an end, bringing a new set of problems to consider in addition to the capitalist inequality dynamic. The expansion of the economies that paradoxically produced social wealth and poverty at the turn of the century created new cataclysmic events: world war and revolutions, opening a new era in history and politics.²

This is the epoch that created the economist we know as John Maynard Keynes, who notes in his 1919 Economic Consequences of the Peace, that the world economy underwent

¹The European Marxist movement produced an understanding of the rise of finance capital in the era of modern imperialism and its tendency towards war in contributions by Rudolf Hilferding (Finanzkapital, 1910), Rosa Luxemburg (“The Crisis of German Social Democracy,” 1915) and V.I. Lenin (“Imperialism, the highest stage of capitalism,” 1916). The most complete collection of these writings to date was published in 2012, a large volume by Richard Day and Daniel Gaido, Discovering Imperialism, social democracy to World War I.

²This is the main theme of a body of historical research, perhaps best known is Eric Hobsbawn’s The Age of Extremes: The Short Twentieth Century (Vantage Books, 1994).
profound changes during the period 1870 to 1914. The unprecedently peaceful economic expansion within Europe came to an end in truth before the outbreak of the war. Inequality began to grow at the turn of the century, and, along with it, social conflict as workers’ purchasing power dipped. This prosperity, Keynes wrote, was the result of an unstable set of conditions: low wages, low consumption, and a virtually unfettered capitalist class. Keynes identifies the

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3“What an extraordinary episode in the economic progress of man that age was which came to an end August 1914!” John Maynard Keynes, *The Economic Consequences of the Peace* (Harcourt, Brace, and Howe, 1920), 10-11.

4“Up to about 1900 a unit of labor applied to industry yielded year by year a purchasing power over an increasing quantity of food. It is possible that about the year 1900 this process began to be reversed, and a diminishing yield of Nature to man’s effort was beginning to reassert itself. But the tendency of cereals to rise in real cost was balanced by other improvements; and one of many novelties the resources of tropical Africa then for the first time came into large employ, and a great traffic in oilseeds began to bring to the table of Europe in a new and cheaper form one of the essential foodstuffs of mankind.” Keynes, 1920, 10.


Lastly on this point, the years 1910-1914 saw strike waves across England and Ireland. Sires’ report on these events confirms Keynes’ suspicion about economic conditions at the start of the 1900s: “Once the strike movement got underway, labor leaders made much of the point that since the turn of the century, wages had failed to rise proportionately with prices and the worker was therefore losing in purchasing power. These strictures eventually received definite support from official reports, one of which stated that retail prices in London had risen from an index of 100 in 1900 to 109.4 in 1909 and to 145 in 1912, and that the mean increase in the cost of fourteen essential items in eighty-eight towns from 1905 to 1912 was 13.7 per cent. In none of these towns did the wages of skilled workers in the building trades rise more than 8 per cent during the same period.” Roland Sires, “Labor Unrest in England, 1910-1914,” *Journal of Economic History* 1 (September 1955): 247.

5“Europe was so organized socially and economically as to secure the maximum accumulation of capital. While there was some continuous improvement in the daily conditions of life of the mass of the population, Society was so framed as to throw a great part of the increased income into the control of the class least likely to consume it… In fact it was precisely the inequality of the distribution of wealth which made possible those vast accumulations of fixed wealth and of capital improvements which distinguished that age from all others…

“Thus this remarkable system depended for its growth on a double bluff or deception. On the one hand the laboring classes accepted from ignorance or powerlessness, or were compelled, persuaded or cajoled by custom, convention, authority, and the well-established order of Society into accepting a situation in which they could call their own very little of the cake that they and Nature and the capitalists were cooperating to produce. And on the other hand, the capitalist classes were allowed to call the best part of the cake theirs and were theoretically free to consume it, on the tacit underlying condition that they consumed very little of it in practice.” Keynes, 1920, 18-20.
cause of the war in Europe’s population rise; “the psychological instability of the laboring and capitalist classes”; and Europe’s diminished grip on the resources of the New World, and the rising prices that entailed, combined with its total dependence on those goods. 6

Coming to grips with the relationship between the reproduction and expansion of capital and political crises producing world war was a major topic in economic and political thought of the time, and is where Keynes’ 1919 work was aimed. 7 This is important for understanding the events that shaped his economic and political thinking.

The relationship between unfettered capitalist expansion, the competition it creates and the outbreak of world war in 1914 (and its role in the Russian Revolutions) 8 was of broad intellectual interest. By 1921, theories about the relationship between economic expansion, competition and world war were reasonably well established in American political science, and were the topic of undergraduate and graduate study. 9 I will return to say more about the significance of this for Keynes at the end of the chapter. First, let us look at the General Theory and note certain philosophical similarity to the Philosophy of Right.

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6 Keynes, 1920, 25.

7 Keynes was the official representative of the British Treasury at the Paris Peace Conference up to the time of his resignation, which he tendered after it became clear to him that no modifications were possible to the terms of peace. It was his view, expounded in Economic Consequences, that the terms were so onerous as to provoke future conflict.

8 Contrary to Keynes and the established social democracies, a leading section of Marxists, the internationalists, the collapse of the social democracy and the butchery of the First World War certainly opened a new era in history and politics: it spelled the end of all national programs. R. Craig Nation’s War on War, Lenin, the Zimmerwald Left and the Origins of Communist Internationalism (Chicago: Haymarket Books, 2009) analyzes the role this played in the collapse of the Second International, Bolshevik politics and the enormous economic and political pressures that would bear down on the workers’ movement in Europe in the interwar years.

Keynes on “The Paradox of Poverty in the Midst of Plenty”

The following focuses on the inequality dynamic characterizing the capitalist epoch as conceived by the influential English political economist John Maynard Keynes. This chapter contains a summary of the historical and political context of the development of Keynes's thought and a brief explication of the interwar work, *The General Theory of Employment*, *Interest and Money* (1936), and especially what it intended to accomplish economically and politically. I go on to assess what I think are the significant similarities between Keynes's and Hegel's conceptions of the state and the political order with respect to the issue of capitalist inequality. Interestingly, each conceives of a large and vibrant “middle class” at the center of civil society whose size and relative economic and political health is the key to preventing destabilizing class conflict, and each understand that such a state of affairs does not come about through the “natural” operations of the market—far from it. Then I go on to contrast Keynes’ analysis to that of Marx. I conclude with important contributions from contemporary scholars, which will continue in Chapter Four.

John Maynard Keynes (1883-1946) is known for works that critique the polar inequality and social instability that inevitably arise from the natural operations of the global capitalist order. Keynes has been viewed alternately a conservative thinker—able and committed to preserving capitalist social relations against social revolution—and as offering a regulated form of capitalism compatible with left-wing politics. Keynes was profoundly shaped by the events

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10In a 1987 interview with *Monthly Review*, Paul Sweezy explained the reason for such broad interpretation this way: “One thing you should understand is that Keynesian theory permits an enormous variation in political and ideological positions. Later on, what Joan Robinson came to call Bastard Keynesianism was the opposite of what I, at any rate, understood to be Keynes's real intentions during the 1930s. Keynes came on not as a socialist—far from that—but as an extraordinarily liberal experimental mind who was prepared to do whatever was necessary—he thought it could be done—under the property arrangements and class arrangements that existed at that time. I think
of his time: the First World War, the revolutions in Russia, the Great Depression and, at the end of his life, the Second World War.

His basic theoretical framework and policies were immensely influential in post-war social thought, which one finds reflected in the major works of the New Left, among them Paul Baran's and Paul Sweezy's *Monopoly Capital* (1966), and Jürgen Habermas's *Legitimation Crisis* (1973). After the 2008 global financial crisis, there have been contemporary arguments for a return to some form of *dirigisme* as a response to the growing inequality and extraordinary market conditions of the present era, one of the most significant made by Thomas Piketty in his 2014 *Capital in the Twenty-First Century*.

At this point, I will briefly explicate the relevant elements of Keynes's economic theory, and then proceed to draw the comparisons of his critique to that of Hegel’s *Philosophy of Right*. The starting point in his famous work, the *General Theory of Employment, Interest and Money*, was the inequality dynamic characteristic of capitalism. The *General Theory* was his last major work. In it he noted that one of his purposes in writing the book was to furnish “an explanation of the paradox of poverty in the midst of plenty.”11 Keynes summed up his main aim and basic diagnostic criterion: “The ultimate object of our analysis is to discover what determines the volume of employment.”12

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12 Ibid., 89.
He identifies three “independent” economic variables: the propensity to consume in the society, the schedule of the marginal efficiency of capital (i.e., the equation of the supply price of an asset with its anticipated returns over time),\textsuperscript{13} and the rate of interest,\textsuperscript{14} as the main levers by which a national economy can be managed—out of a crisis, and ultimately towards prosperity and peace. These are not the end of his proposals and Keynes elaborates on three main reforms his policies intend effect: an overall lessening of total liquidity and its redeployment,\textsuperscript{15} the “euthanasia of the rentier”\textsuperscript{16} (i.e., those who take in passive capitalist income), and the socialization of investment (i.e., its management and not necessarily ownership by the bourgeois state).\textsuperscript{17}

One sees throughout General Theory how the so-called ‘natural’ operation of the market is far from optimal with respect to social or economic outcomes. The work is an economic theory that lays central emphasis on the need for employment guarantees in capitalist societies that involve the state’s ability to create public sector jobs and to induce the private sector to create jobs, and its ability to control the money supply. The work also raises some philosophical considerations. Keynes worries about inequality, a condition which cannot be cured but only managed to keep it within bounds, a belief based in his view of “human nature:”

For my own part, I believe that there is social and psychological justification for significant inequalities of incomes and wealth, but not for such large disparities as exist to-day. There are valuable human activities which require the motive of money-making and the environment of private wealth-ownership for their full fruition. Moreover,

\textsuperscript{13}Ibid., 135-36.
\textsuperscript{14}Ibid., 245.
\textsuperscript{15}Ibid., 374-375.
\textsuperscript{16}Ibid., 376.
\textsuperscript{17}Ibid., 378.
dangerous human proclivities can be canalized into comparatively harmless channels by the existence of opportunities for money-making and private wealth, which, if they cannot be satisfied in this way, may find their outlet in cruelty, the reckless pursuit of personal power and authority, and other forms of self-aggrandizement. It is better that a man should tyrannize over his bank balance than over his fellow-citizens; and whilst the former is sometimes denounced as being but a means to the latter, sometimes at least it is an alternative. But it is not necessary for the stimulation of these activities and the satisfaction of these proclivities that the game should be played for such high stakes as at present. Much lower stakes will serve the purpose equally well, as soon as the players are accustomed to them. The task of transmuting human nature must not be confused with the task of managing it.18

Keynes takes aim at what he identifies as the theoretical inadequacy of laissez-faire theory, a view to which he once adhered:

[T]he weight of my criticism is directed against the inadequacy of the theoretical foundations of the laissez-faire doctrine upon which I was brought up and for which many years I taught;— against the notion that the rate of interest and the volume of investment are self-adjusting at the optimum level, so that preoccupation with the balance of trade is a waste of time. For we, the faculty of economists, prove to have been guilty of presumptuous error in treating as a puerile obsession what for centuries has been a prime object of practical statecraft.19 [emphasis in the original]

That his views represented an appreciation for the “object of practical statecraft,” as he puts it, lays emphasis on economic policy as a technical aspect of a fundamentally political endeavor. This is not only because it involves the state and public authorities at various levels, an issue to which I will turn shortly.

Keynes writes on the three generally independent economic variables in his theory in connection to human psychology:

Thus we can sometimes regard our ultimate independent variables as consisting of (1) the three fundamental psychological factors, namely, the psychological propensity to consume, the psychological attitude to liquidity and the psychological expectation of future yield from capital-assets, (2) the wage-unit as determined by the bargains reached between employers and employed, and (3) the quantity of money as determined by the

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18Ibid., 236.
19Ibid., 339.
action of the central bank; so that, if we take as given the factors specified above, these variables determine the national income (or dividend) and the quantity of employment.\footnote{Ibid., 246-247.}

He begins his presentation by identifying certain axioms about the relations between the basic elements of the economy—the rate of employment and the rate of investment. With an increase in employment, there is an increase in aggregate real income; with an increase in aggregate real income, there is an increase in the propensity of the community to consume, but not at a one-to-one ratio.\footnote{Ibid., 27.} Providing jobs and thus additional income in the national community will increase consumption, although not at the same rate in every household.

This additional income buoys an economy by increasing overall “effective demand.” Keynes’ well-known concept of “effective demand” is distinct from other forms of demand in that it is supported by both purchasing power and intent. The effective demand, in the form of wages that is associated with desirable levels of employment and consumption depends in the final analysis on investors feeling confident in their investments making attractive returns:

\[\text{...[G]iven what we shall call the community's propensity to consume, the equilibrium level of employment, i.e., the level at which there is no inducement to employers as a whole either to expand or to contract employment, will depend on the amount of current investment. The amount of current investment will in turn depend on what we shall the inducement to invest; and the inducement to invest will be found to depend on the relation between the marginal efficiency of capital and the complex rates of interest... The effective demand associated with full employment is a special case, realized only when the propensity to consume and the inducement to invest stand... in an optimum relationship.}\footnote{Ibid., 27-28.}

As we will see, when it comes to securing investor confidence, the ultimate guarantor is the state with its various political and economic steering capacities, including control of rates of interest.
On Keynes's account, the mechanism of capitalist inequality lies in the general tendency to under employ the workforce. This results in insufficient effective demand for existing goods, and thus less incentive to invest profits as opposed to saving them, which can in turn cause enterprises to contract by laying off workers, thus creating “negative feedback” producing additional economic contraction.

This analysis supplies us with an explanation of the paradox of the poverty in the midst of plenty. For the mere existence of an insufficiency of effective demand may, and often will, bring the increase of employment to a standstill before a level of full employment has been reached. The insufficiency of effective demand will inhibit the process of production in spite of the fact that the marginal product of labor still exceeds in value the marginal disutility of employment.

Moreover, the richer the community, the wider will tend to be the gap between its actual and its potential production; and therefore the more obvious and outrageous the defects of the economic system...

But worse still. Not only is the marginal propensity to consume weaker in a wealthy community, but, owing to its accumulation of capital being already larger, the opportunities for further investment less attractive unless the rate of interest falls at a sufficiently rapid rate...23

As Keynes notes, the problem of lagging effective demand discouraging investment worsens in circumstances where there is already a level of material comfort in a society. In other words, households that are appreciably comfortable do not tend to increase their consumption commensurate with increases in their incomes. Instead of consuming at once, they will tend to save. With no internal, private means to resolve even this relatively narrow problem of effective demand inherent in advanced capitalist economies, intervention into the crisis tendencies must come from a source external to private individuals and their business transactions—i.e., the political authority—or the society risks continued recession, and, in time, political destabilization.

23Ibid., 30-31.
or destruction.

Keynes’s view is that excessive social inequality creates economic instability, based on dramatic differences in spending among the classes. Contrary to neo-classical economic theory, which presumed that “savings” would always be reinvested, Keynes argues that the wealthier one is, the wider the gap between one’s income and one’s consumption, so that the amount one saves goes up. Keynes’s fundamental insight is that there is no market force(s) that guarantees that the amount of private savings will equal what investors are willing to invest. But if savings are in excess of what investors want, there will be not be sufficient consumer demand for what is being produced. Thus a lower “propensity to consume,” and greater “propensity to save” among the wealthy is problematic, and if the wealthy become too wealthy, it can cause a crisis of overproduction.

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24“Since the end of the nineteenth century, significant progress towards the removal of very great disparities of wealth and income had been achieved through the instrument of direct taxation—income tax and surtax and death duties—especially in Great Britain. Many people would wish to see this process carried much further, but they are deterred by two considerations; partly by the fear of making skillful evasions too much worthwhile and also of diminishing unduly the motive towards risk-taking, but mainly I think, by the belief that the growth of capital depends upon the strength of the motive towards individual saving and that for a large proportion of this growth we are dependent on the savings of the rich out of their superfluity. Our argument does not affect the first of these considerations. But it may considerably affect the second. For we have seen that, up to the point where full employment prevails, the growth of capital depends not at all on a low propensity to consume, but is on the contrary held back by it; and only in conditions of full employment is a low propensity to consume conducive to the growth of capital… Thus our argument leads towards the conclusion that in contemporary conditions the growth of wealth, so far from being dependent on the abstinence of the rich, as is commonly supposed, is more likely to be impeded by it.” Keynes, 1936, 372-373.

25“The only radical cure for the crises of confidence which afflict the economic life of the modern world would be to allow the individual no choice between consuming his income and ordering the production of the specific capital asset which, even though it be on precarious evidence, impresses him as the most promising investment available to him. It might be that, at times when he was more than usually assailed by doubts concerning the future, he would turn in his perplexity towards more consumption and less new investment. But that would avoid the disastrous, cumulative and far-reaching repercussions of its being open to him, when thus assailed by doubts, to spend his income neither on the one nor the other.” Keynes 1936, 161.

26“The post-war experiences of Great Britain and the United States are, indeed, actual examples of how an accumulation of wealth, so large that its marginal efficiency has fallen more rapidly than the rate of interest can fall in the face of the prevailing institutional and psychological factors, can interfere, in conditions mainly of laissez-
In his concluding remarks to the *General Theory*, Keynes emphasizes the political aspects of such a program, surmising that its success could in perhaps one or two generations even rid the nation of the rentier class of passive income earners through stimulating productive investment and steering the economy toward full employment.  

Keynes argued that, since effective saving is determined by the scale of investment (which is induced by low interest rates), proper interest rate management could limit social inequality in the long term, namely by fixing the rate of interest to the marginal efficiency of capital at the point of full employment.  

By “increasing the stock of capital up to a point where its marginal efficiency had fallen to a very low figure,” the return on goods both short-lived and durable could drop to a point where only modest amounts of income could be derived from such capitalistic investments, which would still be possible but with reduced returns.

In presenting this implication of the *General Theory*, Keynes proposed to mitigate dramatic social inequality through the eventual extinction of a layer of capitalist, the rentier: “Now though this state of affairs would be quite compatible with some measure of individualism, yet it would mean the euthanasia of the rentier, and, consequently, the euthanasia of the cumulative oppressive power of the capitalist to exploit the scarcity-value of capital.”

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27 Keynes, 1936, 376.  
28 Ibid., 375.  
29 Ibid.  
30 Ibid., 375-376.
It is well worth pursuing Keynes for his sense of the future implications. So confident was he in the capacity to manage the capitalist economy, combined with the enormous and growing productive capacity in the industrial countries, he writes in “Economic Possibilities For Our Grandchildren” on the changed social and cultural challenges we can expect to confront as the length of the work-day is reduced to just a few hours:

For many ages to come the old Adam will be so strong in us that everybody will need to do some work if he is to be contented. We shall do more things for ourselves than is usual with the rich today, only too glad to have small duties and tasks and routines. But beyond this, we shall endeavor to spread the bread thin on the butter—to make what work there is still to be done to be as widely shared as possible. Three hour shifts or a fifteen-hour week may put off the problem for a great while. For three hours a day is quite enough to satisfy the old Adam. There are changes in other spheres too which we must expect to come. When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals… We shall be able to afford to dare to assess the money-motive at its true value. The love of money as a possession—as distinguished from the love of money as a means to the enjoyments and realities of life—will be recognized for what it is, a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease.31

The view here is that one can achieve a radical change in the work-life and living standards of national populations without revolutionizing the social relations of production, i.e., leaving the capitalist property form in place. One finds in some of Keynes’ political writings a utopian view on future capitalist development. He appeared to believe that the greatest problem we would confront is developing healthy habits and higher pursuits and pleasures with all the leisure time we could expect to enjoy, perhaps “at least one hundred years” from 1930.32 To state the glaringly obvious, the technical-managerial tasks of the economist and the peaceful growth of the productive forces were not to produce such a future and we now confront interminable neo-

31Ibid., 368-369.
colonial wars and pitched geopolitical tensions, the erosion of democratic forms of rule, environmental destruction, and chronic, widespread social want in the early decades of the 21st century. This view from Keynes’ vantage point was quite optimistic about the manageability of national economies. At other times he presented a more guarded approach, but nevertheless insisted on the necessity of various political interventions.33

Returning now to concluding remark the General Theory, Keynes directs himself to the central role of the political state, noting quite frankly:

In some other respects the foregoing theory is moderately conservative in its implications. For whilst it indicates the vital importance of establishing certain central controls in matters which are now left in the main to individual initiative, there are wide fields of activity which are unaffected.

The State will have to exercise a guiding influence on the propensity to consume partly through its scheme of taxation, partly by fixing the rate of interest, and partly perhaps, in other ways.

Furthermore, it seems unlikely that the influence of banking policy on the rate of interest will be sufficient by itself to determine an optimum rate of investment. I conceive, therefore, that a somewhat comprehensive socialization of investment will prove the only means of securing an approximation to full employment; though this need not exclude all manner of compromises and of devices by which the public authority will cooperate with private initiative. But beyond this no obvious case is made out for a system of State Socialism which would embrace most of the economic life of the community. It is not the ownership of the instruments of production which it is important for the State to assume. If the State is able to determine the aggregate amount of resources devoted to augmenting the instruments and the basic rate of reward to those who own them, it will have accomplished all that is necessary. Moreover, the necessary measures of socialization can be introduced gradually and without a break in the general traditions of society.34

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33In his 1925 essay, “Am I a Liberal?” he writes: “The transition from economic anarchy [laissez faire] to a regime which deliberately aims at controlling and directing economic forces in the interests of social justice and social stability, will present enormous difficulties both technical and political. I suggest, nevertheless, that the true destiny of New Liberalism is to seek their solution.” Keynes, 1963, 335.

34Keynes, 1936, 376.
The responsibility for steering the economy falls on political institutions, including the central bank's capacity to control the money supply and interest rates (which can be lowered to “induce investment” rather than saving), and also the state directly, in its ability to tax and spend.

**Striking Similarities between Keynes and Hegel on the Genesis of “The Problem of Poverty” and its Resolution**

I want to elaborate on two issues raised in the above quoted passage regarding the analysis presented in Chapter One. First, the way that Keynes contrasts the freedom of individual initiative in economic matters with the requirements for the preservation and stability of bourgeois social relations resonates strongly with the *Philosophy of Right* and its traditional interpreters (Taylor, Avineri, et al.). To the extent that the “problem of poverty” as it appears in the *PR* is a criticism of classical economics, it may be no surprise that Keynes, who is criticizing the neoclassical economic view, reprises many of the same points. The similarity lies not only in Keynes’ emphasis on the role of the state in regulating the activity of “civil society,” or private business, but in how the problem and the proposed solution are framed. On the one hand, the pursuit of individual self-interest is understood to be the cause of the instability in the social order, but this pursuit of self-interest has significant positive consequences and need not be viewed as a political and cultural problem. On the other hand, it is ultimately the state's role to bring this to heel in ways that do not unacceptably diminish the rights and freedoms of the individual, and also do not undermine or impede the dynamic of the capitalist economy or “civil society.”

In making clear what is at stake if the unemployment problem was not resolved, Keynes contrasts the Soviet economic system with those of the western countries:
The authoritarian state systems of today seem to solve the problem of unemployment at the expense of efficiency and freedom. It is certain that the world will not much longer tolerate the unemployment which, apart from brief intervals of excitement, is associated—and, in my opinion, inevitably associated—with present-day capitalistic individualism. But it may be possible by a right analysis of the problem to cure the disease whilst preserving efficiency and freedom.35

Here, as we see, Keynes attributes the unemployment crisis to “capitalistic individualism.” At several points in his work, Keynes emphasizes that the subjective state, the feelings of confidence for investors (and consumers, though less often) are critical for the economic functions of investment and goods-purchase to be fulfilled. The individual will or desire seems to lie at the very center of his model. In the closing sections of the *General Theory* he refers to economic freedom as “individualism,”36 which invites further questions about what ethos his policies presume and express, perhaps inviting comparisons with classical economists and their liberal presuppositions, but it seems to me his basic theoretical framework bears a striking resemblance to Hegel’s Hegel holds that the problem of poverty is created by the unbridled pursuit of self-interest, self-interest that is indeed the engine of *Philosophy of R*’s civil society. In the *General Theory*, Keynes too identifies the cause of the growing extreme in inequality as due to problematic form of individual self-interest, i.e., self-interest that is utterly self-seeking and insufficiently conscientious of or conditioned by the good of the national community. One could even use Hegel’s term, the “unimpeded” activity of civil society, in explaining how Keynes understands the genesis of “the problem of poverty”. The two would seem to agree on all these points (there is no evidence I have discovered that Keynes might have read Hegel or, for that matter, had any interest in his work).

35Ibid., 381.

36Ibid., 375.
This is worth exploring further. Within the broader conflict or tension between the individual and the social whole, the classical liberal problematic, the “problem of poverty,” centers on a more specific conflict: that between individual freedom and social stability. That the continued existence of the social order requires that individual freedom be harnessed to the requirements of the social order is central to both Keynes’ and Hegel’s conceptions of any resolution to “the problem of poverty,” conceived within the institutional framework of the bourgeois social order.

The mode of resolutions each proposes is also similar. Hegel, in the *Philosophy of Right*, tries to integrate individual interests into the institutions of both civil society and the state, with limited success, as I try to show. Hegel’s approach to the “problem of poverty” is to attempt to ameliorate the condition of the poorest, while bringing the increasingly endangered lower middle classes into the political order via the Estates, where they may politically express and negotiate their interests as members of certain economic sectors. This level of political specificity is absent in Keynes because, it seems, he is not committed in the same way (at least not in *General Theory*) to philosophically articulating and arguing for a political order that expresses the universality of the modern notion of freedom in the life and free will of the individual. Instead, Keynes is trying to solve the problems of “justice” and “stability”\(^\text{37}\) posed by capitalist inequality, while preserving the given order in its essentials: private property, wage labor, market intercourse. It is striking then how similar the outcome: the state must be the ground and arbiter of economic life, a point on which I will develop shortly.

\(^\text{37}\)Ibid., 335.
However much murkier the problem may have appeared in *Philosophy of Right*, more than 100 years before Keynes, (murkier due to the relatively underdeveloped social relations Hegel was working with at the time), the outline of the modern class order in the *Philosophy of Right* is still present, as is the state’s role in safeguarding social stability, and with it, its political legitimacy. Moreover, Hegel holds in special esteem the political bureaucracy\(^{38}\) that has decision-making power and is to work on behalf of the social whole; their political consciousness is purported to align with the universal social character of their task of securing the stability of the social order.\(^{39}\) A reference to Keynes’ view of the “economist” is an interesting contrast here: “If economists could manage to get themselves thought of as humble, competent people, on a level with dentists, that would be splendid!”\(^{40}\) One may hold a deep appreciation for dentists, but the role does not per se express the self-consciousness of the broadest social interest that Hegel would argue is fitting of an economist charged with managing the affairs of the state. Keynes’ view seems to be, even in promoting a humbler image, economists are skilled technicians of human social endeavor and occupy a critical position in the management of the state.\(^{41}\)

\(^{38}\)There is a substantial body of sociological research on political bureaucracy, and especially modern political bureaucracy. Around the time the *General Theory* was published there was a small explosion of such literature [Bruno Rizzi’s *La Bureaucratisation du Monde* (1939), James Burnham’s *The Managerial Revolution* (1941)], some of which motivate liberal critiques of Keynesian policies, including the US’s “New Deal,” as well as “bureaucratic collectivist” characterizations of the USSR. My emphasis on the recognition shared by Hegel and Keynes that such interventions are required in the capitalist social order is less on its general presence and more its specifics—in modulating the same dynamics.

\(^{39}\)The political bureaucracy are referred to as the universal estate, sitting atop the social hierarchy of farmers, artisans, merchants, and—at the time—the very few industrialists and their workforce. In their attitude to their work, the universal estate must express the general interest. *PR§303.*

\(^{40}\)Keynes, 1963, 373.

\(^{41}\)His own efforts earned him honors from the English monarchy twice, an award in 1920, and in 1942 a lordship.
The similarity between Keynes and Hegel on the relationship between the state and civil society goes deeper than attitudes based in social “problem solving” would suggest. For Hegel, the state is the ultimate the ground of civil society (and the family, morality, and abstract right). The social order is underwritten by the political order, and not the other way around. It is thus the condition for the exercise of individual free will in the social and economic spheres.

I think Keynes would agree with Hegel on this point—the relationship between civil society and the state is that the state is primary and creates the conditions for civil society, or individual economic activity. Keynes concludes the *General Theory* with a comment that suggests this:

> Whilst therefore the enlargement of the functions of government, involved in the task of adjusting to one another the propensity to consume and the inducement to invest, would seem to a 19th century publicist or to a contemporary American financier to be a terrific encroachment on individualism, I defend it, on the contrary, both as the only practicable means of avoiding the destruction of existing economic forms in their entirety, and as the condition of the successful functioning of individual initiative.\(^{42}\)

Keynes believes that, practically, his program can stave off the most catastrophic consequences of extreme inequality.\(^{43}\) Perhaps more subtly, he seems to suggest they are also necessary for the exercise of individual initiative in the economy at all. His use of “condition” here suggests he believes there is not room enough for meaningful individual initiative without this political intervention into the economy, because the natural tendency to inequality is too

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\(^{42}\)Keynes, 1936, 380.

\(^{43}\)On this, which also offers some insight into some of the similarities between Keynes and Hegel, Paul Mattick writes: “It is not necessary to agree with Keynes as to the cause of unemployment to recognize that the policies he suggested to combat it have been the policies of all governments in recent history whether they were aware of his theories or not. They had made their historical debut long before their theoretical expression. All the monetary and fiscal innovations had already been tried: public works, inflation and deficit-financing are as old as government rule and have been employed in many a crisis situation. In modern times, however, they have been regarded as exceptions to the rule, excusable in times of social stress but disastrous as a permanent policy.
great. This also implies that the state would need to intervene in order to create that possibility for individual initiative under the given set of social relations. Does this mean Keynes fundamentally agrees with Hegel, that the state would already have had to rein in the inequality in order to create room for the individual? It certainly seems to be suggested by the closing “philosophical” passages of the *General Theory*. In his “Economic Possibilities for Our Grandchildren,” Keynes remarks directly on the “power of accumulation by compound interest … over two hundred years” is directly (although not solely) responsible for the extremes of wealth inequality and the limits on human agency the inequality creates.44

I want to make one final point of similarity between Keynes and Hegel having to do with an issue as close to our own time as social inequality. A major destabilizing element of the capitalist economy, noted in *General Theory* is an unregulated financial sector, where investments are not involved in producing commodities, but rather directly produce money and circumvent the “real” economy.45 Hegel too identifies a layer of society that produces wealth in this way as liable to suffering from a “rabble” mentality,46 in which their extreme wealth so

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44Keynes, 1963, 360.

45Keynes, 1936, 154-56, 159. Differently than Hegel, Keynes locates the problem not in the investor class’s relationship to production (or lack thereof), but in the structure of the market and the kinds of incentives those create: “Thus the professional investor is forced to concern himself with the anticipation of impending changes, in the news or in the atmosphere, of the kind by which experience shows that the mass psychology of the market is most influenced. This is the inevitable result of investment markets organized with a view to so-called ‘liquidity’. Of the maxims of orthodox finance none, surely, is more anti-social than the fetish of liquidity, the doctrine that it is a positive virtue on the part of investment institutions to concentrate their resources upon the holding of ‘liquid’ securities. It forgets that there is no such thing as liquidity of investment for the community as a whole. The social object of skilled investment should be to defeat the dark forces of time and ignorance which envelop our future. The actual, private object of the most skilled investment today is ‘to beat the gun’, as the Americans so well express it, to outwit the crowd, and to pass the bad, or depreciating, half-crown to the other fellow.” Keynes, 1936, 155.

46“Poverty itself does not reduce people to a rabble; a rabble is created only by the disposition associated with poverty, by inward rebellion against the rich, against society, the government, etc.” (PR 244R). Ruda draws an important set of implications of Hegel’s analysis, that there is a rich or “luxury” rabble generated by the natural operation of civil society’s inequality dynamic. “Atomization, alienation, unbinding, disintegration. These are the
detaches them from the system of needs and exchange of labor (in PR) that they, like the poor rabble, become hostile to the social order itself entitled, demanding and basically antisocial. This is a broader issue linked to both Hegel’s and Keynes’ view on the origin of “the problem of poverty,” that there is no internal principle of the social good in the economic sphere: “For modern capitalism is absolutely irreligious, without internal union, without much public spirit, often, though not always, a mere congeries of possessors and pursuers.”

This diagnostic seems to place Keynes in agreement with Hegel: capitalist civil society in and of itself lacks a native and unifying social aspect. This aspect, as I try to show, is for Hegel a robust conception of national political community that is both the precondition for the operation of civil society per se and justifies its operation along social (rather than anti-social) paths, limiting individual activity for the preservation of the social whole.

**Keynes and Marx**

Keynes understood himself to fighting a political battle on two fronts: against the advocates of laissez-faire and against socialists. He also wrote a good deal on what he disagreed with in socialist politics. Addressing himself to his reading public, he wrote in “A Short View of Russia” (1925):

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characteristics of the rabble” (Ruda, 2012, 37). The tendency toward inequality produces an antisocial layer at both the very top and very bottom of the society, with slightly different features based in their subsistence: for the poor rabble, it is the dole, charity or begging, while the rich rabble live on a form of gambling or income otherwise divorced from the dignity of labor, as well as the social ties and social mentality labor creates (Ruda, 2012, 41-53).


48“It is frequently overlooked that The General Theory arose from Keynes’ anti-Marxism as well as from his opposition to laissez-faire economics.” Donald Markwell, John Maynard Keynes and International Relations: Economic Paths to War and Peace (London: Oxford University Press, 2006), 176.

49In this work Keynes reveals some of the excitement and dread he experienced in Russia, reflected through the prejudices common to his station: anti-semitism, anti-communism, and their amalgam. “The mood of oppression
How can I accept a doctrine which sets up as its bible, above and beyond criticism, an obsolete economic textbook which I know to be not only scientifically erroneous but without interest or application for the modern world? How can I adopt a creed which, preferring the mud to the fish, exalts the boorish proletariat above the bourgeois and the intelligentsia who, with whatever faults, are the quality in life and surely carry the seeds of all human advancement? Even if we need a religion, how can we find it in the turbid rubbish of the Red bookshops? It is hard for an educated, decent, intelligent son of western Europe to find his ideals here, unless he has suffered some strange and horrid process of conversion which has changed all his values.50

The social prejudice expressed here had also to do, he writes, with what he felt was a religious feature of socialism: “It exalts the common man, and makes him everything.”51

Still, Keynes admitted harboring some excitement over the potential in the Russian Revolution:

Yet the elation when it is felt is very great. Here—one feels at moments—in spite of poverty, stupidity, and oppression, is the Laboratory of Life. Here the chemicals are being mixed in new combinations, and stink and explode. Something—there is just a chance—might come out.”52

Nine years later, it seems he had changed his mind. Writing from Washington, D.C., in 1934:

“Here, not Moscow, is the economic laboratory of the world.”53

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50Keynes, 1963, 300. This would appear to refer to the centrality of class divisions in capitalist society (Mattick).

51Keynes, 1963, 301. It might be startling, particularly for Americans, to read a strong avowal of class privilege from a civil servant who came from a middle class family and managed to climb into the remnant aristocracy. It is remarkable then the ideological capacity of American political conceptions to obscure capitalist class privilege.

52Keynes, 1963, 311.

53Quoted in Markwell, 176.
One of the difficulties posed for one attempting to write on Keynes’ view of Marx is that it is brief and dismissive: Marxist theory is “founded on a silly mistake of Ricardo’s.”\textsuperscript{54} If Keynes ever read Capital, or any other of Marx’s economic works, he did not leave behind any known analysis of it. He also rejected the notion that there was any underlying logic to the class struggle or the conflicts between nations, which he called “nothing but a frightful muddle.”\textsuperscript{55} This makes a comparative assessment somewhat more challenging than if he had, but not impossible. Several twentieth century figures in fact have offered such analyses.\textsuperscript{56} While Marx and Keynes do both reject a basic presupposition of classical economics, their economic and theoretical frameworks are not compatible with one another’s.\textsuperscript{57} Marx does not view the issues that Keynes does—of unemployment, wages, investment, interest rates—as discrete elements of a modular national economic system that can be tinkered with in order to produce more beneficial social outcomes on a capitalist basis; neither would he deny it is possible (indeed, necessary) for such interventions to be made. It is simply not the point.

The question of state intervention itself, sometimes spuriously presented as “socialistic,” was on the Marxist view understood as a necessary aspect of the management of the bourgeoisie’s affairs as early as the early 19th century. This is commented on by Engels in 1892:

\textsuperscript{54}This appears to be a reference to the labor theory of value. Quoted in Markwell, 181.

\textsuperscript{55}Keynes, 1963, vii.

\textsuperscript{56}Paul Mattick’s Marx and Keynes: The Limits of the Mixed Economy (London: Merlin Press, 1969) and Geoffrey Pilling’s The Crisis of Keynesian Economics (New York: Croom Helm, 1986) are works I regret I cannot treat at greater length here.

\textsuperscript{57}This presupposition is Say’s law: “Say’s law maintains that an equilibrating process makes overproduction impossible in a capitalist or market economy. Marx, like John Maynard Keynes, denied that this tendency toward equilibrium existed and argued that capitalist economies tend to overproduce particular types of goods.” Robert Gilpin, The Political Economy of International Relations (Princeton: Princeton University Press, 1987), 36. Skidelsky, et al. suggest Keynes did not recognize that he and Marx held this in common.
In any case, with trusts or without, the official representative of capitalist society—the State—will ultimately have to undertake the direction of production.* This necessity for conversion into State-property is felt first in the great institutions for intercourse and communication—the post-office, the telegraphs, the railways. If the crises demonstrate the incapacity of the bourgeoisie for managing any longer modern productive forces, the transformation of the great establishments for production and distribution into joint-stock companies, trusts, and State property, shows how unnecessary the bourgeoisie are for that purpose. All the social functions of the capitalist are now performed by salaried employees. The capitalist has no further social function than that of pocketing dividends, tearing off coupons, and gambling on the Stock Exchange, where the different capitalists despoil one another of their capital. At first the capitalistic mode of production forces out the workers. Now it forces out the capitalists, and reduces them, just as it reduced the workers, to the ranks of the surplus population, although not immediately into those of the industrial reserve army. But the transformation, either into joint-stock companies and trusts, or into State-ownership, does not do away with the capitalistic nature of the productive forces. In the joint-stock companies and trusts this is obvious. And the modern State, again, is only the organisation that bourgeois society takes on in order to support the external conditions of the capitalist mode of production against the encroachments, as well of the workers as of individual capitalists. The modern State, no matter what its form, is essentially a capitalist machine, the state of the capitalists, the ideal personification of the total national capital. The more it proceeds to the taking over of productive forces, the more does it actually become the national capitalist, the more citizens does it exploit. The workers remain wage-workers—proletarians. The capitalist relation is not done away with. It is rather brought to a head. But, brought to a head, it topples over. State-ownership of the productive forces is not the solution of the conflict, but concealed within it are the technical conditions that form the elements of that solution…

*I say “have to”. For only when the means of production and distribution have actually outgrown the form of management by joint-stock companies, and when, therefore, the taking them over by the State has become economically inevitable, only then—even if it is the State of to-day that effects this—is there an economic advance, the attainment of another step preliminary to the taking over of all productive forces by society itself. But of late, since Bismarck went in for State-ownership of industrial establishments, a kind of spurious Socialism has arisen, degenerating, now and again, into something of flunkeyism, that without more ado declares all State-ownership, even of the Bismarckian sort, to be socialistic. Certainly, if the taking over by the State of the tobacco industry is socialistic, then Napoleon and Metternich must be numbered among the founders of Socialism.58

The fundamental difference between the kind of management that Engels is describing and that described by Keynes is that state “steering” on the Marxist view, has little or nothing to do with either abstract conceptions of justice or the general good (i.e., aligning individual practice with the good of the social whole, etc.), not because those notions are false or unworthy in themselves, but because the state—the political ground of economic life—is not an abstract representation of the interests of its citizens, but rather an instrument of the political rule of the capitalist class, which manages the goings-on in civil society to suit its needs and interests, including managing the economy to the best of its ability, which is presented as the general good.\(^{59}\)

Marx is working on a fundamentally different economic framework, and, on this question, his view is that there are certain requirements for capital expansion. As he demonstrates in *Capital*, volume 1, the source of surplus value (the basis of rent, interest and profit) is the difference between the value added by workers in the production process, and the value of the commodity which the worker initially sold to the capitalist—i.e., their labor power.\(^{60}\) The continued production of surplus-value requires an expansion of the means of production, in

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\(^{59}\)By the mere fact that it is a class and no longer an estate, the bourgeoisie is forced to organise itself no longer locally, but nationally, and to give a general form to its mean average interest. Through the emancipation of private property from the community, the State has become a separate entity, beside and outside civil society; but it is nothing more than the form of organisation which the bourgeoisie necessarily adopt both for internal and external purposes, for the mutual guarantee of their property and interests. The independence of the State is only found nowadays in those countries where the estates have not yet completely developed into classes, where the estates, done away with in more advanced countries, still have a part to play, and where there exists a mixture; countries, that is to say, in which no one section of the population can achieve dominance over the others. This is the case particularly in Germany. The most perfect example of the modern State is North America. The modern French, English and American writers all express the opinion that the State exists only for the sake of private property, so that this fact has penetrated into the consciousness of the normal man.\(^{59}\) *The German Ideology (MECW 5, 90).*

\(^{60}\) *Capital*, volume 1, III. Production of Surplus Value. *MECW* 35, 187-221.
productive capacity and markets. Goods tend to be produced through increasing investment in productive technologies (constant capital), and a relatively decreasing reliance on labor (variable capital, the source of surplus), and the increased productivity of labor, Marx argues, creates a trend (one that had been identified by the classical economists as well) known as the tendency of the rate of profit to fall.\footnote{To this growing quantity of value of the constant capital—although indicating the growth of the real mass of use values of which the constant capital materially consists only approximately—corresponds a progressive cheapening of products. Every individual product, considered by itself, contains a smaller quantity of labour than it did on a lower level of production, where the capital invested in labour occupies a far greater place compared to the capital invested in means of production… This mode of production produces a progressive relative decrease of the variable capital as compared to the constant capital, and consequently a continuously rising organic composition of the total capital. The immediate result of this is that the rate of surplus value, at the same, or even a rising, degree of labour exploitation, is represented by a continually falling general rate of profit.” (Capital, volume 3, MECW 37, 210-11).} As labor becomes more productive, a smaller amount of labor sets into motion a larger mass of constant capital, and the surplus-value created in the production process tends to fall.

In his 1955 article “Marx and Keynes,” Paul Mattick explains how this process of expanded reproduction of capital contributes to the kind of crisis that preoccupied Keynes:

Leaving aside all the intricacies of Marx’s exposition, his abstract scheme of capital expansion shows that apart from competition as the driving force of capital expansion in the market reality, the production and accumulation of surplus-value already finds in the two-fold character of capital production—such as exchange and use value—a limiting element, to be overcome only by the continuous expansion and extension of the capitalist mode of production. In order to forestall a falling rate of profit, accumulation must never rest. More and more surplus-value must be extracted and this involves the steady revolutionizing of production and the continuous extension of its markets. As long as accumulation is possible, the capitalist system prospers. If accumulation comes to a halt crisis and depression set in.\footnote{Mattick, 1955.}

Marx was not, like Keynes, preoccupied with the task of the best means of managing the crisis-bound aspects of the capitalist order. But this is not because, as Keynes charges, he has been
overcome with the pessimism\textsuperscript{63} he associates with revolutionists (to say nothing of the notion of fundamental equality among people!). In the last chapter, I show that Marx criticized his contemporaries for misunderstanding modern poverty’s causes, and also for stopping at the bare fact of poverty (“seeing in poverty only poverty”), as a problem to be solved, rather than also understanding what the problem signified in the broader context of the social order and the direction of its development. Here too I think we see Marx is working to understand the economic causes of overproduction crises, even as he argues that the essence of the matter is what it means for the future. The falling rate of profit is in the final analysis an expression of the growth of productivity of labor, which we see via the shift in the organic composition of capital, i.e., consistently decreasing labor-power is required to set a growing constant capital in motion. What would it mean to try to halt through management the development of such a historically unprecedented and promising development in the name of the “stability” of class society? One would have to believe, as Keynes did, that the future lies in managing the capitalist order and not revolutionizing it. He has offered political and ethical conceptions that inform this view, as I have tried to show.

Another important difference to note is Keynes’ view about the future development of capitalism, which is based on his conception that wise economic policies and colossal growth in industrial productivity will be what eradicates the hours of toil, day in and day out, for the working population. It is insufficient I think to scoff at Keynes’ ‘utopian’ vision of the twenty-

\textsuperscript{63}“For I predict that both of the two opposed errors of pessimism—the pessimism of the revolutionaries who think that things are so bad that nothing can save us but violent change, and the pessimism of the reactionaries who consider the balance of our economic and social life so precarious that we must risk no experiments.” Keynes, 1963, 359-360.
first century. Instead we should look at Marx has to say about the length of the work day, since this is what Keynes emphasizes will be dramatically diminished.

It is Marx’s view that the rate of surplus is critically dependent on the length of the working day, and it becomes ever more dependent as the composition of constant capital grows relative to variable capital, as the latter is the source of the surplus. Thus, the way to increase the surplus is by extending the time labor is working, i.e., the length of the day. Had Keynes engaged with Marx on this issue, he would have encountered the view that the strains on surplus value in the development of capitalist production meant the working day could not be reduced to whatever minimum is required to reproduce the laborer.64

But I think that the issues do not come down fundamentally to competing economic models—which are critical tools of analysis, but also reflect the broader attitudes toward the politics (and human resources and knowledge) involved in developing a serious alternative to the anarchy of capitalist production. Keynes also believed himself to be involved in such an endeavor, his “middle way.” Keynes also agreed that political intervention into economic relations was critical, and to do so for his approach meant making a capitalism “worth saving,” and by comparison casting more radical proposals in less attractive light.

**Keynes in Contemporary Scholarship**

Canadian political economist Geoff Mann produced a recent book (in 2017) comparing the political economic thinking of Hegel and Keynes. Inevitably, our research overlapped,

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64“The minimum limit is, however, not determinable; of course, if we make the extension line B C or the surplus labor = 0, we have a minimum limit, i.e., the part of the day which the labourer must necessarily work for his own maintenance. On the basis of capitalist production, however, this necessary labor can form a part only on the working day; the working day itself can never be reduced to this minimum.” *MECW* 34, 240.
although Mann’s emphasis is somewhat different than mine. He focuses on the sentiments behind all of what identifies as “Keynesian” political thinking—that of Hegel included.\textsuperscript{65}

Mann writes on the left-wing critiques Keynes’ theory has been subjected to\textsuperscript{66}, and notes its tenacity has little to do with its technical accuracy as an economic theory, a view he supports by pointing out that proving it incorrect on even central points does not cause its proponents to immediately disavow it.\textsuperscript{67} He goes on:

First, assuming the goal is to delegitimize Keynes in the eyes of the Left, it has, for decades or even centuries, been a spectacular failure, especially but not only in moments of crisis. Second, it abandons what seems (to me) to be the much more important question of why Keynesian sensibility, and the Keynesian critique of liberal capitalism, continue to matter so much to so many. If we take this as a relevant ideological characteristic of the world, as I think we should, then we must acknowledge that like all ideology, it can neither be understood nor undone by a set of proofs that it is mistaken.\textsuperscript{68}

Mann makes this his point of departure for an investigation into Keynes’ intellectual circle and how the \textit{General Theory} emerged out of discussions among the opponents of \textit{laissez faire} economics. The central political (or in Mann’s term, ideological) issue is this:

\[\text{[I]n the three cases—Hegel’s, Marx’s and Keynes’s—these questions are a way of asking what they understood to be the range of the “actually” possible, and within that range, what they thought best, and what we might honestly expect ourselves to achieve. On this, the three differ in substance if not in form. Concerning that which Keynes and Hegel sought to realize—a world without revolution—Marx sat on the other side of the fence. But he was no less “realistic” about its possibilities, a fact no way impugned by a history that shows him to have been wrong in important ways… as Hegel said, “plans and theories have a claim to reality insofar as they are \textit{practicable}, but their value is the same whether they exist in actuality or not}.\textsuperscript{69} \text{[Emphasis in the original]}\]

\textsuperscript{65}Geoff Mann, \textit{In the Long Run We’re All Dead} (Verso, 2017), 41; also, “Keynes is our Hegel” (Mann, 222).

\textsuperscript{66}Paul Mattick, Geoff Pilling, Michael Roberts, Antonio Negri and Massimo DeAngelis (Mann, 2017, 218).

\textsuperscript{67}Mann, 2017, 218-219.

\textsuperscript{68}Ibid., 219.

\textsuperscript{69}Ibid., 221.
Drawing this point further, Mann underlines the ideological position of *The General Theory* as key to its return, “[W]hat matters is not whether Keynes is right or wrong, vague or precise, but the conception of “modern” social life at the heart of *The General Theory*.\(^{70}\) I tend to agree with this statement, at least on its face, which is partly why the present work required some lengthy exposition of the worldviews of each thinker.

Against some common misconceptions, Mann also locates a commonality in Hegel and Keynes, and Marx as well, in their willingness to deal with the complexities involved in ‘how the world really works’, stating, “The pragmatism of these thinkers is greatly underestimated.”\(^{71}\)

He comments that the extraordinary number of publications proclaiming the return to Keynes's work in the wake of the 2008 global financial crisis came from across the political spectrum:

A resurrected John Maynard Keynes is currently the subject of a popular and publishing explosion. Among those to affirm their faith are not only self-identified “Keynesians” like Paul Krugman and Joseph Stiglitz. Others, across a wide swath of the political spectrum, have also propounded Keynes's forgotten wisdom—from the arch-conservative Richard Posner (2009), to the measured Martin Wolf (2008) of the *Financial Times*, to the inimitable Thomas Geoghegan (2011) of *The Nation*—have also found themselves propounding Keynes' wisdom.\(^{72}\)

Despite an increasingly contentious and partisan political atmosphere in the US and Europe, this commonality is not necessarily mysterious, as Mann places Keynes squarely (and I believe correctly) in the liberal tradition, which has its different tendencies. In finding Keynes—

\(^{70}\)Ibid., 226.
\(^{71}\)Ibid., 221.
\(^{72}\)Ibid., 4.
or, more properly, according to Mann—Keynesianism or the “Keynesian critique,” he goes back to the differences among the factions of the bourgeoisie in the French Revolution in order to locate the origins of political economy in general, and the philosophical and political positions to which both Hegel and Kant would respond. Thus, he declares, political economy is the language of the modern state.

Mann’s view is that the rise in popularity of Keynes is rooted in a liberal anxiety over the populist political trends provoked in periods of economic crisis, which—in the capitalist era—rarely fail to be characterized by extremes of social inequality. In short, it is a form of crisis management, and has a pragmatic face, but there are also deeper social and philosophical commitments involved, as I have tried to show. I think these support Mann’s general interpretation.

In drawing Hegel into the Keynesian fold, Mann identifies an anti-populist impulse in both thinkers, dating back to the time of the French Revolution. He does not advert to, in the aftermath of that revolution, the working population per se emerging to make its own demands felt (the trend whose philosophical expression is referred to in Chapter Two.) Instead, Mann focuses on the general development of the liberal tradition on the “problem of poverty,” to arrive at Keynes. He begins with a recognition that the poor will, and justifiably, try to find a way to meet their needs without regard to the law (that material necessity itself is an “iron law”), a recognition he identifies Robespierre making in the immediate aftermath of the French

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73Ibid., 27.

74Ibid., FIND IT (it’s somewhere in first 75 pages))

75Mann’s discussion of Robespierre as not only a major influence but a sophisticated political thinker contrasts sharply with twentieth century denigrations of Robespierre as simply a terrorist, a phenomenon which
Revolution:

This “iron law” (*Ius necessitatis*) means the liberal practice of freedom demands substantial sacrifices from the liberal principle of freedom. The revolution against the *ancien régime* embraced the principle of private property, but for Robespierre, it had also to embrace moral and practical common sense [*bon sens*]. . .

Liberty [i.e., that embodied in the right to acquire, hold, and dispose of private property] is not an abstraction that precedes or supersedes materiality and to which the real world must be made to bend.\(^{76}\)

In this way, Mann locates the Keynesian tradition in the pragmatic negotiation between basic rights: the right to property of the few and the right to life of the propertyless, which is achieved through the power of the sovereign state and justified by the state’s formal commitment to the general good.

Mann also identifies Keynes as something of a radical in his own view, in part due to his belief that the conceptual framework of the *General Theory* overturned the dominant neoclassical political economic framework,\(^{77}\) and also in part because he was opposing what a certain tendency of liberal thought takes as orthodoxy: that the right of private property is totally inviolable. Along a similar line, Mann emphasizes certain seemingly “revolutionary” aspects of Keynes’ policies, including the eventual “euthanasia of the rentier.” Mann emphasizes that such changes are conceived of as a revolution without revolution, carrying out certain structural changes in the class order without the messy and quite risky business of social revolution.\(^{78}\)

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\(^{76}\)Mann 2017, 96-97.

\(^{77}\)Ibid., 217.

\(^{78}\)Mann 2017, 88-97. All that is needed is a problem solver’s intuition, wise expert administration, and the social stability to which these lead” (Mann, 2017, 50).
Accepting the difficulties involved defining “Keynesianism,” Mann develops a broad political conception of organized political intervention by the state in order to stave off economic crisis, which is driven by a certain kind of worry: that the situation would necessarily be worsened by exercise of popular sovereignty. As we saw in Chapter One, the exercise of popular political power is highly attenuated as a rule in PR, mediated by both economic and political institutions (the corporations and the estates).

In making a comparison between the two thinkers, Mann’s contention is not that Keynes in some way followed Hegel theoretically or politically, but rather that Hegel was, broadly speaking, a Keynesian:

Hegel, like Keynes, was a Keynesian. Keynesian political economy is the product of an anxious analysis of liberalism’s crisis tendencies that manifests the same logical structure as that of Hegel’s attempt to understand the meaning and legacy of the French Revolution. To discover in Hegel the critic of liberalism, a critique developed with a particular understanding of the trajectory of history and politics, is to open a window on the structure and function of Keynesian political economy, the most influential form of this thinking in our time.\(^{80}\)

Mann notes that Paul Baran compared Keynes with Hegel in a similar way in his 1957 *The Political Economy of Growth.*\(^{81}\) As shown in the preceding section, the similarity between Keynes and Hegel lies in its analysis of and solution offered to “the problem of poverty”: the conflict is viewed as one between the interests of the social whole and the freedom of the individual, and is to be resolved without wholly subordinating either to the other. As shown in

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\(^{79}\)On the contrary, Mann makes an effort to argue that Keynes’ philosophical leanings are not only anti-Hegelian but more generally anti-metaphysical, based in the work of G.E. Moore. He argues, and I think uncontroversially given Keynes’ time, education, background and political commentary, that Keynes was an empiricist. Mann, 2017, 41-43.

\(^{80}\)Quoted in Mann, 2017, 43.

\(^{81}\)Ibid., 36.
Chapter One, Hegel proposes that this be achieved through social and political institutions and the creation of a culture in which particular social interests can be made to interpenetrate.

He argues Keynes is attempting to do much the same thing as Hegel, and to the same end:

While the fear of disorder that founds Keynesianism takes Hobbesian form, the role of the state it anticipates is radically different than that Hobbes proposes, because Keynesian reason posits a means through which to pass through Leviathan, to attain “real freedom” to be realized at the end of history. The means to this end take particular form: neither by forever managing private difference—the impossible task assigned to liberalism by Hobbes, Locke, and Kant—nor by subordinating the individual to the general a la Rousseau or Lenin. Instead the Keynesian state is posited as that social institution, both part of and apart from society, that can harmonize the particular and the universal, materially and ideologically, without sacrificing either. The citizen bathed in the light of Keynesian reason understands his or her own interests as commensurate with, but in no way necessarily the same as or subordinate to, what Keynes called the “social interest”… [A]lthough civil society is the very source of the difficulties, Keynesianism understands it as in many ways an idealized arena for the exercise of modern liberal citizenship, the “bourgeois public sphere” of Arendt and Habermas.82

Here Mann draws the analogy to Hegel’s Philosophy of Right further by locating the source of inequality in civil society, conceived as the arena of social action in bourgeois political life, which is ultimately preserved through the state’s intervention.

He sums up the Keynesian view of “the problem of poverty” proper as one that it is as categorial and thus political as it is material. It echoes elements of Hegel’s analysis in PR, as well as Wartenburg’s analysis:

Capitalist scarcity is produced by capitalism. For Keynesians, this has crucial, permanent, and tragic political-economic consequences. It means liberal capitalist civil society’s internal contradictions render it impossible to forever contain poverty to its own “proper” compartment of the social. Consequently, the ultimate tragedy, and the ultimate paradox, is that despite modernity’s perpetual production of the poor, poverty has no proper place.”83 [emphasis in the original]

82Ibid., 54-55.
83Ibid., 12).
Thus poverty must be eradicated and the poor “brought in” to the social and political order, or else that order’s claim to the general good is exposed as fraudulent. This would create a crisis of legitimacy for the state, and it is here that Mann is sensitive to the fundamentally political character of Keynes’ effort: “We are required to intervene because the crucial feature of any existing economic order is not its (long run) approximation to nature but its (short run) legitimacy.”

Mann develops this viewpoint, putting an even finer point on what is at stake in Keynesian thinking, which is nothing short of the maintenance of the legitimacy of the liberal capitalist state: “[T]he most fundamental concerns of an always-already Keynesian political economy concern neither the (capitalist) organization of production nor the organization of distribution (a contingent mix of state and market) but the organization of legitimation.”

There is much more that could be said about Mann’s work, including his claim that Keynes views on the proper role and function of the state. It is wide-ranging and of interest to both the specialist and the general reader. But I think these passages suffice to demonstrate his views on the reasons for similarities between Keynes and Hegel, and some of the broader political questions posed by “the problem of poverty.”

How can a philosophical empiricist and political pragmatist (meant in the technical sense) like Keynes come to similar conclusions as Hegel, of all thinkers, on the central contradiction of our economic order? Mann’s answer to this question lies in the structures of capitalism and their

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84Ibid., 196-197.
85Ibid., 202.
86Ibid., 190.
respective commitments to the preservation of the prevailing social order.\textsuperscript{87}

One limitation of Mann’s book is that he leaves out what I think is a critical aspect of Keynes’s own development and his motivations, and in doing so, misses what “crisis” in the capitalist context involves. It is true Keynes found himself caught in the struggle between the classes. Keynes set out to develop an approach to national economic policy that would ameliorate some of capital's greatest needs: relatively inexpensive labor, and investment opportunities domestically and through the expanding exploitation of resources worldwide. He thus aimed to undercut the main political opposition and engine of revolutionary proletarian response to these trends.\textsuperscript{88}

He was also never far from bloody rubble of the First World War. A pacifist and classical liberal in his early days, Keynes once held that free trade was the greatest means to assuring peace.\textsuperscript{89} He was not alone in understanding that the consequences of the failure to improve upon capitalist economic relations were not only domestic unrest and sluggish economic expansion—war was also a distinct possibility, as nations sought to resolve their economic problems by availing themselves of resources claimed by others, i.e., competition between nation states for limited resources.

In shifting his view from the classical liberal position of free trade to advocating

\textsuperscript{87}Ibid., 190.

\textsuperscript{88}“How can I accept the Communist doctrine, which sets up as its bible, above and beyond criticism, an obsolete textbook which I know not only to be scientifically erroneous but without interest or application to the modern world? How can I adopt a creed which, preferring the mud to the fish, exalts the boorish proletariat above the bourgeoisie and the intelligentsia, who with all their faults, are the quality of life and surely carry the seeds of all human achievement? Even if we need a religion, how can we find it in the turbid rubbish of the red bookshop? It is hard for an educated, decent, intelligent son of Western Europe to find his ideals here, unless he has first suffered some strange and horrid process of conversion which has changed all his values.” Quoted in (Markwell, 2006).

\textsuperscript{89}Markwell, 2006, 21-53 and \textit{passim}. 
politically directed trade, Keynes was not satisfied to only treat these issues as matters of managerial technique, and instead worked to conceive of them in theoretical and political terms that account for domestic and interstate relations that affect political instability. In coming out against what he denounced as the openly bellicose nature of free trade, he writes in the *General Theory*:

I have mentioned in passing that the new system might be more favourable to peace than the old has been. It is worthwhile to repeat and emphasize that aspect.

War has several causes. Dictators and others such, to whom war offers, in expectations at least, a pleasurable excitement, find it easy to work on the natural bellicosity of their peoples. But, over and above this, facilitating and fanning the popular flame, are the economic causes of war, namely, the pressure of population and the competitive struggle for markets. It is the second factor, which probably played a predominant part in the nineteenth century, and might again, that is germane to this discussion.

I have pointed out in the preceding chapter that, under the system of domestic laissez faire and an international gold standard such as was orthodox in the latter half of the nineteenth century, there was no means open to a government whereby to mitigate economic distress at home except through the competitive struggle for markets. For all measures helpful to a state of chronic or intermittent underemployment were ruled out, except measures to improve the balance of trade on income account.

Thus whilst economists were accustomed to applaud the prevailing international system as furnishing the fruits of the international division of labor and harmonizing at the same time the Interests of different nations, there lay concealed a less benign influence; and those statesmen were moved by common sense and a correct apprehension of a true course of events, who believed that if a rich old country were to neglect the struggle for markets its prosperity would droop and fail. But if nations can learn to provide themselves with full employment by their domestic policy (and we must add if they can attain equilibrium in the trend of their population), there need be no important economic forces calculated to set the interest of one country against that of its neighbors. There would still be room for international division of labor and for international lending in appropriate conditions. But there would no longer be a pressing motive why one country need force its wares on another or repulse the offerings of its neighbor, not because this was necessary to enable it to pay for what it wished to purchase, but with the express object of upsetting the equilibrium of payments so as to develop a balance of trade in its own favor. International trade would cease to be what it is, namely, a desperate expedient to maintain employment at home by forcing sales on foreign markets and restricting purchases, which, if successful, will merely shift the problem of unemployment to the
neighbor which is worsted in the struggle, but a willing and unimpeded exchange of goods and services in conditions of mutual advantage.90

This lengthy excerpt is intended to illustrate the centrality of peace to Keynes’ effort, not only in the sense that existed in Hegel’s time, but in the contemporary sense.91 Keynes’ time was marked by world war and proletarian revolution, the two being intimately related. Keynes’ view in the General Theory is that the sort of national development he advocates if applied in each country will limit the trade conflicts and pressures that tend to arise between countries, and even make international trade voluntary and mutually advantageous.92

Donald Markwell’s 2006 John Maynard Keynes and International Relations, Economic Paths to War and Peace shows how the challenges of managing unemployment and trade, and their relation to domestic and international conflict were central to the development of Keynes's work, on and on the decisive questions for the 20th century: persistent and growing inequality; the threat of war; and the danger faced by liberals—witting or unwitting—of veering towards fascistic politics in advocating state steering of capitalist economies motivated Keynes General Theory.93 Throughout his survey of Keynes’ work and correspondence, Markwell emphasizes

90Keynes, 1936, 382-383.

91Keynes’ experiences as a British Treasury official gave him peculiar insight into the economic causes of international conflict. Markwell, 2006 is a valuable resource for extended discussion of the evolution of Keynes’s political views in the interwar period, which involved some complex shifts.

92Note here that each nation is responsible for the development of its own civil society and political intervention into it. “… [I]f nations can learn to provide themselves with full employment by their domestic policy (and we must add, if they can also attain equilibrium in the trend of their population), there need be no important economic forces calculated to the interest of one country against that of its neighbors… International trade would cease to be what it is, namely, a desperate expedient to maintain employment at home my forcing sales on foreign markets and restricting purchases, which, if successful, will merely shift the problem of unemployment to the neighbor which is worsted in the struggle, but a willing and unimpeded exchange of goods and services in conditions of mutual advantage.” Keynes, 1936, 382.

93Markwell writes that in 1933 Keynes’ essay amalgamating socialized investment and economic nationalism, “National Self-Sufficiency,” put him up against his left-wing student John Strachey on the danger of
the overriding emphasis in Keynes’ work on maintaining peace through economic policy. From his *The Economic Consequences of the Peace* of 1919, in which Keynes “condemned the economic provisions of the Treaty of Versailles as a threat to the peace of Europe,” to his *General Theory of Employment, Interest and Money* of 1936, he hoped that his economic theory “might be more favorable to peace than the old has been.”

What is perhaps most striking in reading both Keynes's *General Theory*, particularly in light of the emphases made in Mann’s and Markwell's works, is that not one of the major political issues raised by Keynes has been decisively resolved so far in the 21st century.

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fascism arising from British capitalism: “When Mosley congratulated Keynes on his articles, Keynes replied that he wrote as he did ‘not to embrace you, but to save the country from you.’” Quoted in Markwell, 2006, 180.

94Quoted in Markwell, 2006, 1.
CHAPTER FOUR

THE “PARADOX OF POVERTY IN THE MIDST OF PLENTY” TODAY AND
THE KEYNESIAN REFORMATION

Introduction

Now a full decade since the 2008 global financial crisis, it scarcely needs mentioning that the central theoretical and political issues in the preceding chapters bears directly on our contemporary economic and political situation.¹ In the aftermath of the 2008 global economic breakdown, the years officially identified as “recovery” have been characterized paradoxically, first as a “jobless recovery,”² and more recently as a period of “wageless growth.”³

¹“Not since the Great Depression of the 1930s has it been so apparent that the core capitalist economies are experiencing secular stagnation, characterized by slow growth, rising unemployment and underemployment, and idle productive capacity.” Foster and Yates, 2014.

²The “jobless recovery” has fueled public skepticism about official employment figures for at least two reasons, with important political implications. First, there is skepticism that official figures are credible. In recent years, it became publicly known that those who stopped looking for work after long periods of unemployment were simply no longer being counted by the US Bureau of Labor Statistics, a phenomenon reported as recently as May 2018 by Forbes’ Erik Sherman, “Sure Unemployment Went Down, Because More People Left the Workforce.” Accessed at https://www.forbes.com/sites/eriksherman/2018/05/05/sure-unemployment-went-down-because-the-number-of-people-working-did-on-2018-07-18. Secondly, in a growing segment of the population, people are holding down two jobs, a phenomenon driven by both trends of low wages and chronic underemployment.

³“Not since the Great Depression of the 1930s has it been so apparent that the core capitalist economies are experiencing secular stagnation, characterized by slow growth, rising unemployment and underemployment, and idle productive capacity.” Foster and Yates, 2014.
The modern “problem of poverty” may be more than 200 years old, but today’s responses to it are not mere repetitions of what has come before. This is in part due to the unprecedented scale of inequality and the threat it poses to the political stability of the bourgeois order.4

With the onset of the 2008 global financial crisis, proclamations were made in the press about the return (or revenge) of Marx5, and the return to Keynes. So too for Hegel, who is often cited, (at least in academic circles) as we saw in Chapter One, in the face of the decades of neoliberal reaction.

A fundamental feature of the theoretical frameworks of each of the three thinkers that are the focus of this dissertation is that the bourgeois state as a political formation is understood to be the socio-political context and precondition for the operations of civil society and the economy. Without such a political order, there is no legal basis for the rights of individuals, their property, or of *quid pro quo* exchange. (Without the state, might would simply make right.)

For Keynes and for Hegel, the specific ways in which the state serves this purpose include limiting civil society’s tendency to inequality. These restrictions are justified through conceptions of individual agency, social strata, and the welfare of the national community, with notable similarities between them on these matters. As we saw in Chapters One and Three, although they have different prescriptions, Hegel and Keynes both argue that, without the state

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4Philosophical attention to the problem of “global poverty” surged at the turn of the 21st century (this literature includes works by Amartya Sen, John Rawls, Peter Singer, Thomas Pogge, and many, many more). Much of the focus then was not on the marked expansion of inequality in the wealthy countries, but the moral duty of those countries, and their individual citizens, to increase aid and support to poor countries and their citizens. This literature explored notions of global justice, cosmopolitanism, and justifications for military intervention.

exercising its political authority to socio-politically (and even culturally) define, circumscribe, and protect a sphere of freedom for the economic agency of the individual, the “unfettered” (to use Hegel’s term, or “natural” to use Keynes’ term) tendency of economic activity based in private property and market intercourse is to generate pernicious and destabilizing social inequality. Given the century between the two thinkers, it would appear that “the problem of poverty,” or “the paradox of poverty amidst plenty,” is endemic to the capitalist economic order. Moreover, their responses to the problem sit comfortably within the liberal tradition.6

Marx, by contrast, does not view political intervention to manage the “natural” inequality generated by the economic system as prompted by ethical concerns, but rather as purely pragmatic efforts that the bourgeoisie will undertake to manage its affairs in its own interests when instability arises. The essential issue in Marx’s view is not the proper shape and form of the political intervention in the existing economy, but the need for a different system altogether, a more advanced, democratic and pleasurable form of social organization.

In Capital, Marx endeavors to show that the accumulation of capital through production does not result automatically from abstract economic or commercial processes. Instead, it requires complex legal, social and economic institutions for the new wealth to be created and circulated.7 The necessity of the state and political authority become all the more evident where markets are created where none previously existed, e.g., labor markets, or where a population

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6I am referring specifically to the defining institutional and ethical imperatives of the liberal tradition, insofar as both Hegel and Keynes politically prioritize the exercise of the right of private property and individual commercial agency, activities of “civil society.”

7I have focused in the preceding chapter mainly on Capital, Volume 1, but the political governance required for capital accumulation, as well as intervention into the problems it generates for its continued course, run throughout the later volumes.
refuses to trade, e.g., in the employment of various forms of “gunboat diplomacy.” This is most obvious in processes of primitive accumulation, as I show in Chapter Two.

The conception of the relationship of civil society to the state, and also of “political economy,” for these thinkers stands in contrast to the views of the classical and neoclassical thinkers, from whose perspective the work of Hegel and Keynes would be seen as attempting to justify—and, indeed, argue for the necessity of—otherwise unjustified political interventions into the economic life and individual freedoms of “civil society”.

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8The classic example of this in the American context is the 1854 Convention of Kanagawa, which opened Japan to foreign trade.

9Here something should be said about Keynesians, some of whom simply identify with Keynes due to their skepticism of neoclassical claims of market perfection, and the “neoclassical synthesis,” an economic view common among contemporary Keynesians: “Paul Krugman, perhaps the most prominent of the New Keynesians, weighed in on this distinction at a 2011 celebration of The General Theory’s seventy-fifth anniversary. Krugman suggested that its readers could be divided into two groups, which he labeled “Chapter 12ers” and “Book 1ers.” Chapter 12ers (also known as post-Keynesians) focus on Keynes’ account of uncertainty and long-term expectations, which Krugman says shows that “investment decisions must be made in the face of radical uncertainty to which there is no rational answer.” Book 1ers (also known as New Keynesians) take Keynes’ principal contribution to be a refutation of Say’s law, the recognition of “the possibility of a shortfall in demand.” Krugman says the former are skeptical of the effort to shoehorn The General Theory into neoclassical-style quasi-equilibrium models. The latter, in contrast, read the principle of effective demand as a quasi-equilibrium concept and see no problem combining Keynes’s ideas with an orthodox framework in what has come to be called the “neoclassical synthesis.” For them, the adjective “Keynesian” is basically equivalent to “disequilibrium” or “non-Walrasian.” Mann, 2017, 60-61.

10This is a generalization, but one that I believe to be basically correct, that is based in this the classical perspective’s presupposition of perfectly functioning markets which require no political intervention. Ruprecht van Heuchinger, “The Role of the State in Neoclassical Economics,” 1999, 2. It is also understood similarly by both its proponents and its critics. See Milton Friedman, Capitalism and Freedom (Chicago: University of Chicago Press, 2009) and DeMartino 1999, respectively. I do not suggest that the most serious proponents of the neoliberal view reject state political authority, to the contrary: Milton Friedman is sensitive to the political requirements for capitalism, but these are also severely limited, on the basis of his conception of individual rights, to the enforcement of property law, the prevention of technical monopolies, and in extreme cases, negative public (neighborhood) effects, in addition to control of the money supply. The fundamental difference between these and Keynesian interventions on my understanding is that these are aimed at optimizing market conditions, which are linked in lockstep to individual freedoms, and not macroeconomic equilibration through mitigating inequality, a strategy informed by a robust conception of the social good. It is well-known that, philosophically speaking, they appear to be at odds.
Western Non-Marxist Economic Traditions

The following section contains a brief outline of the features of the relevant economic traditions in this chapter: Classical, Neoclassical, Keynesian, the Neoclassical Synthesis, Neoliberalism and New Keynesian Economics.

Classical Economics is the body of theory about how a market economy works. The most famous classical economists are Adam Smith, David Ricardo and John Stuart Mill. The basic conception of classical economics is that markets work well and deliver the best macroeconomic performance.

Neoclassical Economics is an approach to economics focused on the determination of goods, outputs and income distributions in markets through supply and demand. This determination is often mediated through a hypothetical utility maximization by income-constrained individuals and profits by firms who must manage production costs and employ available information and factors of production, generally in accordance with rational choice theory. Neoclassical economics is founded on marginal utility theory (a reaction against the classical “labor theory of value”) as developed by Carl Menger, William Stanley Jevons, Leon Walras and John Bates Clark.

Keynesian Economics is an economic theory of total spending in the economy and its effects on output and inflation. Keynesian economics was developed John Maynard Keynes during the 1930s in order to understand the Great Depression. As we have seen, Keynes advocated increased government expenditures and lower taxes to stimulate demand and pull the global economy out of the depression. Subsequently, Keynesian economics was used to refer to
the concept that optimal economic performance could be achieved—and economic slumps prevented—by influencing aggregate demand through different forms of political intervention.

*The Neoclassical Synthesis* was a post-World War II academic movement in economics that worked absorbed the macroeconomic thought of Keynes into the neoclassical framework (called Neo-Keynesian economics). For thirty or more years after 1946, mainstream economics was largely dominated by this “synthesis”—largely Keynesian in macroeconomics but neoclassical in microeconomics. Much of Neo-Keynesian economic theory was developed by John Hicks and Maurice Allais, and popularized by the economist Paul Samuelson, through his influential textbook, *Economics.*

*Neoliberalism* refers primarily to the 20th-century resurgence of those 19th-century ideas associated with *laissez faire* economic liberalism, which include policies like privatization or “liberalization,” austerity, deregulation and reductions in certain forms of public spending aimed at increasing the private sector’s role and influence in the economy and society. This constituted a paradigm shift from the post-war “Keynesian” policies. Since the early 1980s in the United States and England, and in Europe since the dissolution of the Eastern Bloc, this view has been presented as the official politico-economic ideology by both the establishment “right” (e.g., Thatcher, Reagan, Tories and Liberals in Britain, the Republicans in the US, the CDU/CSU in Germany) and the establishment “left” (e.g., Blair, Clinton, the dominant factions of the Labour Party in Britain and the Democratic Party in the US, the SPD in Germany and the social democratic parties of Europe).

*New Keynesian Economics* is a school of contemporary macroeconomics that strives to provide microeconomic foundations for Keynesian economics. It developed as a response to
neoliberal critics of Keynesian macroeconomics. New Keynesians assume that there is imperfect competition in price and wage setting, which explains why prices and wages can become “sticky” (i.e., do not adjust instantaneously to changes in economic conditions). Such wage and price stickiness, and the other market failures present in New Keynesian models, imply that the economy will fail to achieve full employment as Keynes predicted. Therefore, New Keynesians argue that macroeconomic stabilization by the government (via fiscal policy) or by the central bank (via monetary policy) may lead to a more efficient macroeconomic outcome than a laissez faire policy would. Paul Krugman and Joseph Stiglitz are key representatives of this movement.

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While Keynes offers a series of structural reforms to achieve the macroeconomic management necessary to secure the welfare of the bourgeois order, I think it is Hegel’s political philosophy that, despite its institutional peculiarities, still stands as the most thorough philosophical expression of this conception—that the state is both the philosophical and political precondition for civil society. It cultivates and makes possible the social and cultural matrix of economic activity. As we have seen, this is a matter of longstanding debate in the liberal-capitalist tradition, and indeed very much part of its tradition. But the implications of adopting such positions change with each new period of world capitalist expansion. The old inequality dynamic of the nineteenth century was viewed in the twentieth century as bringing with it new developments—a system of international banking and finance, along with heightened inter-imperialist conflicts—that produced, after a period of economic growth and relative calm, a Great Depression, then world war and social revolution. As we saw, the social inequality that is
so destabilizing, in promoting both domestic unrest and international conflicts, motivated John Maynard Keynes to his tasks. It also motivates today’s best-known Keynesian, Thomas Piketty.

In response to the breadth and depth of the problem, there is an enormous body of research on the modern inequality dynamic today in the US and worldwide as a major area of study.11

**Thomas Piketty and Keynesian Pessimism**

In the last chapter we saw that John Maynard Keynes was optimistic as to the capacity of good policy to generate the best political-economic possible outcomes for the US and Europe, and that these new experiments would take place on a capitalist basis—structurally and ideologically.12

Nearly two hundred years after the publication of Hegel’s *Philosophy of Right*, the Keynesian political response to the polar inequality dynamic native to the capitalist order remains alive, and despite having a relatively youthful representative in Thomas Piketty, it is not in the best health.

Though we enjoy an extensive historical knowledge base, enormous technical and productive capacity, and have new and unprecedentedly thorough research on social inequality, a grave pessimism seems to hang over the bourgeois political and intellectual sphere. This pessimism appears to be fueled by the following conditions: the political impotence of the

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12It is something of a historical misfortune that the colossal destruction of the Second World War, a conflict Keynes had hoped to stave off as the Great Depression further cleaved the world into rival blocs, did far more to buoy the United States’ economy than his contributions to the New Deal did, but at an incalculable cost. Paul Krugman appealed to US President Barack Obama not to lose sight of this fact after the 2008 crash: “It took the giant public works project known as World War II—a project that finally silenced the penny pinchers—to bring the Depression to an end.” Krugman, 2009.
establishment political parties in the face of an oligarchy intransigently opposed to any encroachment on its wealth, the strictures imposed by an apparently untouchable $700-plus billion defense budget in the United States, about two decades of uninterrupted neo-colonial wars, the rise in the US and European countries of the far-right into positions of state rule, and widespread environmental destruction and climatic instability, and the lack of an organized, politically-guided and tested political opposition to these conditions—among other challenges.

Thomas Piketty is in agreement with Keynes that the yawning gulf of inequality might be manageable, but he shares little if any of his optimism. Even though Keynes had his moments of public pessimism, this is a provocative contrast.

*Capital in the Twenty-First Century*, using novel data on wealth and income from the 18th and 19th centuries in Europe through to the present era, was published in 2013, with the English translation appearing in 2014. It immediately became a best-seller and provoked a number of urgent replies. In it Piketty argues in a familiar way that a characteristic feature of the unfettered development of global capitalism is inequality, and that political intervention is required to modify distribution of income and wealth: “The history of the distribution of wealth has always been deeply political, and it cannot be reduced to purely economic mechanisms.”

In his introduction, Piketty argues for ‘putting the distributional question back at the heart of economic analysis.”

The question is important, and not just for historical reasons. Since the 1970s, income inequality has increased significantly in the rich countries, especially the United States, where the concentration of income in the first decade of the twenty-first century

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regained—indeed, slightly exceeded—the level attained in the second decade of the previous century. It is therefore crucial to understand clearly why and how inequality decreased in the interim. To be sure, the very rapid growth of poor and emerging countries, especially China, may well prove to be a potent force for reducing inequalities at the global level, just as the growth of the rich countries did during the period 1945-1975. But this process has generated deep anxiety in the emerging countries and even deeper anxiety in the rich countries. Furthermore, the impressive disequilibria observed in recent decades in the financial, oil, and real estate markets have naturally aroused doubts as to the inevitability of the “balanced growth path” described by Solow and Kuznets, according to whom all key economic variables are supposed to move at the same pace. Will the world in 2050 or 2100 be owned by traders, top managers, and the superrich, or will it belong to the oil-producing countries or the Bank of China? Or perhaps it will be owned by the tax havens in which many of these actors will have sought refuge. It would be absurd not to raise the question of who will own what and simply to assume from the outset that growth is naturally “balanced” in the long run.15

A political economist who is not only writing on the real contours of historical inequality, but who is also willing to pose as a political question, “who will own what?” in the world is sufficient in my view to account for the book’s popularity, and the anxious criticisms it provoked. Nowhere in the mainstream political discourse in the United States does one find such a question asked.

It is also important to understand what was perceived to be at stake for the neoclassical economic model with the arrival of Piketty’s book on the scene. John Bellamy Foster and Michael Yates, in their 2014 review essay, emphasize the role the work plays in exacerbating a crisis of neoclassical economics:

Accompanying the long-term decline in the growth trend has been an extraordinary increase in economic inequality... Taken together, these two realities of deepening stagnation and growing inequality have created a severe crisis for orthodox (or neoclassical) economics.

To understand the nature of this crisis of received economics, it is necessary to look at the two principal bulwarks of neoclassical theory, which were originally erected in response to socialist critics. The first is the notion that a freely competitive capitalist economy left

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15Ibid., 18.
to itself generates full employment, indicating that unemployment is the product of various frictions, imperfections, or government interference. The second is the related proposition that income and wealth inequality are determined by the “marginal productivity” (or relative contributions to output) of the various factors of production, chiefly capital and labor—a logic that is extended to the contributions of individuals themselves…

Contrast these propositions to the reality of the mature capitalist economies today. Far from a full-employment equilibrium, what we see rather is a long-term tendency to economic stagnation. Moreover, this reality describes all of the developed capitalist economies and can be seen in a trend going back forty years, or indeed longer. Over roughly the same period, income and wealth levels, rather than converging, have diverged sharply—a divergence that cannot be attributed to differences in education and skill, nor to the contributions of capital relative to labor. In short, both of the principal justifications for the system provided by neoclassical economics have collapsed before our eyes.16

It does not in any way diminish the overall significance of his work on social inequality to say that Piketty’s views on how to proceed to diminish inequality may seem doubtful.

Nowhere is it more obvious than in the United States that the mainstream “left” is nothing other than complacent about income and wealth inequality.17

The heart of Capital in the Twenty-first Century is this: Piketty identifies the following two tendencies in the inequality dynamic in Europe and the United States, which I will quote at length and reproduce two figures that illustrate the general dynamic:

The US curve, shown in Figure 1, indicates the share of the upper decile of the income hierarchy in US national income from 1910 to 2010. It is nothing more than an extension of the historical series Kuznets established for the period 1913-1948. The top decile claimed as much as 45–50 percent of national income in the 1910s-1920s before dropping to 30–35 percent by the end of the 1940s.

16Foster and Yates, 2014.

17After taking office in 2017, US President Donald Trump faced no opposition in confirming a cabinet of business and military leaders. The US Congress has a net worth five times the median average: “For every 13 members, in fact, one may fairly be dubbed a “1 percenter,” the term of derision imposed by liberal groups on the richest 1 percent of Americans. Data from the Fed pegged the net worth threshold for these people at $10.4 million in 2016, a mark exceeded by 26 Republicans and 17 Democrats.” Hawkings, 2018.
Inequality then stabilized at that level from 1950 to 1970. We subsequently see a rapid rise in inequality in the 1980s, until by 2000 we have returned to a level on the order of 45-50 percent of national income. The magnitude of the change is impressive. It is natural to ask how far such a trend might continue.  

Figure 1. Income Equality in the United States, 1910-2010

I will show that this spectacular increase in inequality largely reflects an unprecedented explosion of very elevated incomes from labor, a veritable separation of the top managers of large firms from the rest of the population. One possible explanation of this is that the skills and productivity of these top managers rose suddenly in relation to those of other workers. Another explanation, which to me seems more plausible and turns out to be much more consistent with the evidence, is that these top managers by and large have the power to set their own remuneration, in some cases without limit and in many cases without any clear relation to their individual productivity, which in any case is very difficult to estimate in a large organization. This phenomenon is seen mainly in the United States and to a lesser degree in Britain, and it may be possible to explain it in terms of the history of social and fiscal norms in those two countries over the past century. The tendency is less marked in other wealthy countries (such as Japan, Germany, France, and other continental European states), but the trend is in the same direction. To expect that the phenomenon will attain the same proportions elsewhere as it has done in the United States would be risky until we have subjected it to a full analysis—which unfortunately is not that simple, given the limits of the available data.

The second pattern, represented in Figure 2, reflects a divergence mechanism that is in some ways simpler and more transparent and no doubt exerts greater influence on the long-run evolution of the wealth distribution. Figure 2 shows the total value of private wealth (in real estate, financial assets, and professional capital, net of debt) in Britain, France and Germany, expressed in years of national income, for the period 1870–2010.

18Piketty, 23.
Note, first of all, the very high level of private wealth in Europe in the late nineteenth century: the total amount of private wealth hovered around six or seven years of national income, which is a lot. It then fell sharply in response to the shocks of the period 1914–1945: the capital/income ratio decreased to just 2 or 3.

We then observe a steady rise from 1950 on, a rise so sharp that private fortunes in the early twenty-first century seem to be on the verge of returning to five or six years of national income in both Britain and France. (Private wealth in Germany, which started at a lower level, remains lower, but the upward trend is just as clear.)

Figure 2. The Capital/Income Ratio in Europe, 1870-2010

In summarizing his findings, Piketty argues when the rate of return on capital remains significantly above the growth rate of the economy for an extended period of time, there tends to be markedly divergent wealth distribution: “This fundamental inequality, which I will write as $r > g$ (where $r$ stands for the average annual rate of return on capital, including profits, dividends, interest, rents, and other income from capital, expressed as a percentage of its total value, and $g$ stands for the rate of growth of the economy, that is, the annual increase in income or output), will play a crucial role in this book. In a sense, it sums up the overall logic of my conclusions.”

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19Ibid., 23-24.
20Ibid., 24.
Piketty contrasts his views with those of the mid-century economist Simon Kuznets, who attributed the postwar economic expansion to a later phase of industrialization, which gave rise to a more egalitarian income distribution. Kuznets based his analysis on newly available data. Piketty extends this data forward to the present—and draws a very different conclusion.

Piketty argues that the anomalous high-growth period between the end of WWII and 1975 (referred to in France as “Les Trente Glorieuses”), was fundamentally a product of the destruction of the war: “In fact, when viewed in historical perspective, the thirty postwar years were the exceptional period, quite simply because Europe had fallen far behind the United States over the period 1914-1945 but rapidly caught up during the “Trente Glorieuses.” Once this catch-up was complete, Europe and the United States both stood at the global technological frontier and began to grow at the same relatively slow pace, characteristic of economics at that frontier.”

Moreover, Piketty argues that the drop in inequality in the early part of the century too, from 1910 to 1950 was “above all a consequence of war and of policies adopted to cope with the shocks of war.” In his analysis of the historical data, and in particular that of the first half of the 20th century, he notes the numerous ways in which the world wars destroyed wealth, having the effect of setting countries “back to zero.”

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21Ibid., 73.
22Ibid., 21.
23The longer-term mitigation of inequality in the postwar period might well have a somewhat different, or at least additional, explanation. Kuznet’s data was important to the Cold War ideological battle being waged at the time. It could certainly be argued that the social welfare measures put into place, and the very high tax on high incomes (91% for those in the top bracket), which did reduce inequality substantially, were motivated by precisely such Cold War considerations.
Piketty's proposal to mitigate inequality is a tax proposal, in which countries would maintain and update two familiar institutions: the social welfare state and progressive income tax. But something new is also needed: a progressive tax on global capital—which is to say, a graduated income tax is not enough. Wealth itself must also be taxed.

That such a regime is especially unlikely under current conditions is a fact he readily acknowledges, but “if democracy is to regain control over the globalized financial capitalism of this century, it must develop new tools, adapted to today’s challenges.

He notes that an extraordinary global coordination would be required to establish a convergence in the inequality gap:

[T]he process by which wealth is accumulated and distributed contains powerful forces pushing toward divergence, or at any rate toward an extremely high level of inequality. Forces of convergence also exist, and in certain countries at certain times, these may prevail, but the forces of divergence can at any point regain the upper hand, as seems to be happening now, at the beginning of the twenty-first century. The likely decrease in the rate of growth of both the population and the economy in coming decades makes this trend all the more worrisome.

My conclusions are less apocalyptic than those implied by Marx’s principle of infinite accumulation and perpetual divergence (since Marx’s theory implicitly relies on a strict assumption of zero productivity growth over the long run). In the model I propose, divergence is not perpetual and is only one of several possible future directions for the distribution of wealth. But the possibilities are not heartening. Specifically, it is important to note that the fundamental $r > g$ inequality, the main force of divergence in my theory, has nothing to do with any market imperfection. Quite the contrary: the more perfect the capital market (in the economist’s sense), the more likely $r$ is to be greater than $g$. It is possible to imagine public institutions and policies that would counter the effects of this implacable logic: for instance, a progressive global tax on capital. But establishing such institutions and policies would require a considerable degree of international coordination. It is unfortunately likely that actual responses to the problem—including various nationalist responses—will in practice be far more modest and less effective.

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24Ibid., 360.
25Ibid.
26Ibid., 24-25.
To the extent that the last two to three years have already seen a sharp turn among western governments to—and in the case of the United States, quite aggressive—economic nationalist policies, it is not difficult to comprehend Piketty’s concerns. 27

That the author of what is arguably the most important economics findings of the last twenty-five years is pessimistic about the capacity to return to the kinds of political steering needed on his view to limit the profoundly destabilizing effects of the “problem of poverty” today is provocative. Geoff Mann’s work may shed additional light on the outlook of contemporary Keynesians.

**The Anxiety Characterizing Keynesianism**

The social and political outlooks of the Keynesian thinkers in this chapter—Piketty and Geoff Mann--are certainly related to their understanding of political economy, but they do not follow in a deductive way from economic analysis. Rather, they centrally involve their political priorities and expectations, as well as relevant background information. The philosophical and political motivations among those influential “Keynesians” today play a major role.

In his *In The Long Run We’re All Dead*, Geoff Mann offers a sweeping overview of the origins of Keynesian thought, going back to the French Revolution, including three ways of reading *General Theory*. Mann also poses the question of why Keynesianism appears to have such lasting power, despite its various technical and political flaws. A central flaw Mann notes

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27After several decades of “globalization, in which national economies and regional economies over an extended period were integrated and made deeply interdependent, shifts away from those relationships in favor of newly prioritized domestic development (referred to by a representative of the transnational giant Sodexo at a recent OECD conference as a profitable new trend of “going local,” will create inevitable shocks, potentially exacerbating social tensions. Michel Landel, “Local Growth and Development: An Era of New Priorities.” *Organisation for Economic Cooperation and Development. The OECD Observer* Paris Iss. 308 (June 2016).
throughout the book is political: a technocratic approach to the management of the economy that impacts so many lives. Still, Mann’s view is that Keynesianism offers a kind of radical solution to the paradox of poverty in refusing to accept it or enforce, and in “providing the necessaries” for a “dignified, secure and joyful life for all,” that is essential to modern freedom. Its lasting power he attributes to its promise to achieve such dramatic aims without dramatic risks. The risk that he thinks is most repulsive to capitalist elites (as well as to most self-identified social progressives) has to do with a fear of chaos, or civilizational collapse. Mann remarks that avoiding the chaos provoked by crisis is key to understanding Keynes technocratic approach to governance: “[H]is faith in the capacities of scientific management by an enlightened intelligentsia was unshakeable.”

This fear invites the supposition that, in Keynes’ view, any sociopolitical order other than capitalism would be beyond the pale:

[I]f bourgeois society falls, so will everyone and everything else. . . This is the logical conclusion of what we might all the liberal syllogism, with the following propositional structure: (a) liberalism produced modern civilization; (b) liberalism is capitalist; therefore (c) all modern civilization is capitalist. We can trace inchoate forms of the syllogism in Hobbes and some of his contemporaries, including Locke, but it is with Kant that it comes together as a mode of “practical logic.” All forms of Keynesian reason are a sympathetic critique of this syllogism.

One may find evidence for this in Keynes’ denunciations of “red” politics, which, as noted in Chapter Three, he despises for elevating to political governance a working class that he sees as

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29“For Keynesians, from Hegel to Piketty, it is always ultimately civilization itself that is at stake.” Mann, 2017, 7.

30Mann, 2017, 15.

31Ibid., 23.
boorish “mud” having no value when compared to the “fish”, i.e., the intelligentsia and the bourgeoisie. Mann gives voice to similar sentiment in his explanation for what he finds attractive in the anti-populist sentiment he associates with Keynes. Mann much of the “self-described left,” himself included, who, in fearing nothing more than “a moron with a gun,” are, when pressed, very likely to side with the bourgeoisie.

Seen in this light, such dread could be explained by the Keynesian dogma that there is no alternative to managing capitalism, which stands in the shadow of the fear that it too may fail to manage the massive, pitched economic and political crises generated by world capitalism, elements of which the Keynesians know all too well.

Mann argues that the capitalist elite’s anxiety then, is not about the threat of “socialism,” which he claims has no real political existence except as “a conservative bogeyman.” Instead, “contemporary liberalism in the capitalist global North is constituted, more than anything else, by an effort to ensure that capital does not alienate a large enough proportion of the people to destabilize the social order, thus putting its historical achievements at risk…” This is to say, contemporary liberalism is built on Keynesian foundations, and thus imagines the bourgeois order as “the end of history” after all.

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32 Keynes, 1963, 300.

33 Mann, 2017, 23-24. He goes on to offer evidence that this is the official position of the “official left”: “Rather than welcoming the meltdown, radical political economists like Robin Blackburn, Robert Wade, and others have been mostly interested in stabilizing a system so that unrest does not destroy the whole kit and caboodle, thus ruining the lives not only of the rich who nevertheless deserve it, but of as many or more of the innocent poor. Their proposals are more or less unqualified attempts to save the institutions of capitalism while dethroning capital.” Mann, 2017, 24.

34 Mann, 2017, 22.

35 Ibid.
Mann characterizes Keynesianism as “always combin[ing] an extraordinary optimism concerning the quasi-Utopian potential of human communities with an existential terror at the prospect that it might not be realized.”\textsuperscript{36} This combination is directly reflected in questions that Piketty poses in his \textit{Capital in the Twenty-first Century}:

Can we imagine a twenty-first century in which capitalism will be transcended in a more peaceful and more lasting way, or must we simply await the next crisis or the next war (this time truly global)? On the basis of the history I have brought to light here, can we imagine political institutions that might regulate today’s global patrimonial capitalism justly as well as efficiently?\textsuperscript{37}

Mann notes that Keynes, although optimistic about the technical possibilities of saving capitalism, also had his moments of serious doubt regarding the future. He wrote in 1937, as the Depression dragged on and the grip of fascism on Europe tightened:

It is our duty to prolong peace hour by hour, day by day, for as long as we can. We do not know what the future will bring, except that it will be quite different from anything we could predict. I have said in another context that it is a disadvantage of “the long run” that in the long run we are all dead. But I could have said equally well that it is a great advantage of “the short run” that in the short run we are still alive. Life and history are made up of short runs. If we are at peace in the short run, that is something. The best we can do is put off disaster, if only in the hope, which is not necessarily a remote one, that something will turn up. While there is peace, there is peace.\textsuperscript{38}

Mann goes on to make a broader claim about why the “left” in the Global North is so attracted to Keynesianism:

[M]uch (if not all) the Left wants democracy without populism; it wants transformational politics without the risks of transformation; it wants revolution without revolutionaries. This is the legacy of terror and Stalinism, and it is the logic at the heart of Keynesianism. Much of the self-described left is not as far as we think from the Keynes who declared that if it came down to it, he would side with the bourgeoisie.\textsuperscript{39}

\textsuperscript{36}Ibid., 14.

\textsuperscript{37}Piketty, 330 [471].

\textsuperscript{38}Keynes, quoted in Mann, 2017, 13-14.

\textsuperscript{39}Mann, 2017, 21.
I think Mann is correct to note there may well be an existential dread animating the existing support for the Keynesian perspective he presents. Given his extended and detailed commentary on it, it appears not only a ruling class anxiety. It also seems to pervade the educated middle and upper middle class. However, I am not sure such trends can be reduced down to such broad and general historical trends and issues, especially where there has been no discussion of social interests, like class divisions, or discussion of political agency, namely parties and leaderships. I appreciate that he takes up these issues, and the topic and scope of his project overlap significantly with mine, but I do not think the issues of historical and political pessimism are as wholly determined by the broadest contours of socioeconomic development in the direct way he seems to. I agree they play a fundamental role, and understanding the way life is determined by them is essential to understand and locate our agency and freedom within their dynamics, but they are not always and in every era the single most decisive factor. The entrance onto the scene of the “subjective factor,” a political agency representing the interests of the great majority and mobilizing it on a democratic basis, for example, could shift the current political balance of forces substantially. It would also demand a reckoning with some of Mann’s positions, including “anti-populist” prejudice.

As to the Keynesian perspective, I have argued that its context of two world wars and the Great Depression is critical to understanding its origin and outlook. I think Mann’s approach might diminishes somewhat the determinate causes and significance of those events to compare those to “anti-populist” fears, or suggest that the dangers posed by capitalism and war amount to an existential nothingness, although nuclear annihilation is a real possibility. I wish to note here that the concrete conditions out of which Keynes’ thinking emerged were the conditions
produced by global capitalism, they have a specific form, economic crisis and world war. And while these certainly threaten destruction to life as we know it, the details do matter. Keynes’ thought was critical in aiding capitalism from the brink of self-destruction through depression, war and social revolution. Given the military (and nuclear) rearmament underway, the long recession stretching out behind us, and trade war tactics being employed in the advanced economies, the old motivations of Keynes’ day have not left us and it may well be the case Mann’s motivations are only added to them. I am skeptical these illusions will take an organic hold among the poor, for which I offer some reasons based on work by Piketty, et al. that follows. There currently exists healthy skepticism of technocratic political leadership and little esteem for bourgeois governance.

Degradation in social and political life has been deep enough that significant faith has been lost in existing political institutions. But I think there is also a tension: the capitalist welfare state is still the only institution currently in recent historical memory that formally addressed itself to these issues. While the capitalist welfare state is long gone, political efforts

\[\text{Ibid., 24.}\]

\[\text{Not only have such “specialists” become known for bilking municipalities and states of their assets (e.g., City of Detroit bankruptcy), great swaths of the United States are in advanced states of dilapidation and disrepair. Not only do areas lack clean, safe drinking water, and I am thinking here not only of Flint, Michigan, but also Martin County, Kentucky, the areas near gas fields in Pennsylvania, and mining areas in West Virginia. Philip Alston, the UN’s Special Rapporteur on extreme poverty and human rights, toured Butler County, Alabama in 2017 and found a sewage disposal crisis unseen outside of developing countries that had resulted in endemic parasitic worm infection in the area. These issues do not only affect post-industrial and rural areas. New York City’s mass transit system is experiencing such regular catastrophic mechanical failures, companies in the city have had to change their tardy and absentee policies.}\]

\[\text{One of the most striking pieces of evidence for this is the voter abstention rate in the 2016 US Presidential election. Among registered votes, the Democrat Clinton received 28.43\% (65,845,063) of all votes compared to Republican Trump’s 27.20\% (62,980,160), whereas 44.37\% (102,731,399) did not vote. (US Elections Project, 2017).}\]
are underway—including by a section of the Democratic Party in the United States—to associate it with socialism as a means of re-capturing lost political support as the recent shift in the population to the political left advances. An August 2018 Gallup poll has shown a record high opinion of socialism and a remarkable drop in support for capitalism among registered Democrats, but no clarification was offered of what “socialism” meant.43

**Hypothesis: A Social Basis for Contemporary Keynesianism**

In the recent period, in which a new gulf of inequality has opened up, not only the top 1%, but the top 20% have seen significant income and wealth gains. There are not of the scale of those in the top 1% or top 0.5%, but they still have done quite well in the last few decades, and therefore have a lot to lose. This, I would like to argue, is the social base of the contemporary Keynesians, not, by and large, the working class, as it perhaps once might have been argued in the 1960s and ‘70s before the gains the workforce had won were clawed back.44

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43 For the first time in Gallup's measurement over the past decade, Democrats have a more positive image of socialism than they do of capitalism. Attitudes toward socialism among Democrats have not changed materially since 2010, with 57% today having a positive view. The major change among Democrats has been a less upbeat attitude toward capitalism, dropping to 47% positive this year—lower than in any of the three previous measures. Republicans remain much more positive about capitalism than about socialism, with little sustained change in their views of either since 2010.” Newport, 2018.

44 We see only some of this social division in Piketty, et al., but its important features are present in the income inequality data. I think a more complete picture of quality of life and relative income and wealth from that period would have to include pension and retirement, housing conditions, hours spent at work, childcare and healthcare metrics. When it comes to working class and lower middle-class families, women entering the workforce in the intervening decades (from the 1980s on), alongside wage stagnation or wage fall for men, has tended to result in additional domestic stress. Arlie Hochschild, *The Second Shift: Working Parents and the Revolution at Home* (New York: Viking, 1989).
Since 2014, Piketty and a growing team of researchers including Emmanuel Saez and Gabriel Zucman, have expanded their efforts.\footnote{In April 2018, the team produced another groundbreaking study, this time on global income inequality over the last century. For the executive summary in English: https://wir2018.wid.world/files/download/wir2018-summary-english.pdf} I think these findings can help explain Mann’s position on Keynesian perspectives.

Figure 3. Average Annual Growth by Percentile (Piketty, Saez, & Zucman, 2017)

An important recent finding of the Piketty, Saez, and Zucman team is the hollowing out of the income earned by the working population in the western countries.\footnote{Recently Piketty and Saez pointed to a rise in wage income for the bottom 50 percent of income earners in France over the period 1980 to 2014, stating that his findings do not suggest that \textit{zero} improvements can potentially be made through changes in policy in industrialized countries. The problem in Piketty’s view seems to be that such changes are unlikely for political reasons. (December 2016; https://equitablegrowth.org/economic-growth-in-the-united-states-a-tale-of-two-countries/) Since the 1980s, US economic growth has not created a rise in median household income. Their 2016 report on the}
US shows a sharp class differentiation within the society: a bottom 50 percent of income earners, a middle 40 percent, a top 10 percent and top 1 percent.\textsuperscript{47} Within the top one percent there is a dramatic stratification, even greater than that found among the lower eight deciles. They write:

First, our data show a sharp divergence in the growth experience of the bottom 50\% and of the rest of the economy. The average pre-tax income of the bottom 50\% has stagnated since 1980 at about $16,000 per adult (in constant 2014 dollars, using the national income deflator), while average national income has grown by 60\% to $64,500 in 2014. As a result, the bottom 50\% income share has collapsed from about 20\% in 1980 to 12\% in 2014. In the meantime, the average pre-tax income of top 1\% adults rose from $420,000 to about $1.3 million, and their income share increased from about 12\% in the early 1980s to 20\% in 2014. The two groups have basically switched their income shares, with 8 points of national income transferred from the bottom 50\% to the top 1\%. The top 1\% income share is now almost twice as large as the bottom 50\% share, a group by definition 50 times more numerous. In 1980, top 1\% individuals earned on average 27 times more than bottom 50\% individuals before tax while they earn 81 times more today. Second, government redistribution has offset only a small fraction of the increase in pre-tax inequality. Even after taxes and transfers, there has been close to zero growth for working-age adults in the bottom 50\% of the distribution since 1980.\textsuperscript{48}

Piketty, et al. have established that among western countries the United States is the most unequal. Combined with the changes to the wages and employment sectors, and the marked drop in availability of full time employment,\textsuperscript{49} these figures suggest a certain interpretation of claim that the 2008 global financial crisis and the contemporary period represent “a return of Marx.” A

\textsuperscript{47}Other late twentieth and early twenty-first century authors have tried to picture the extreme income inequality in the US and worldwide by employing colorful and illustrative analogies. These include Jan Pen’s parade of dwarves and a few giants (Pen, 1971; David Schweickart, \textit{After Capitalism}, 2nd edition (Rowman & Littlefield, 2011), and the champagne glass of inequality (Conley, 2008).


\textsuperscript{49}In its 2018 Employment Outlook Report, the Organization for Economic Cooperation and Development (OECD) writes: “At the end of 2017, nominal wage growth in the OECD area was only half of what it was just before the Great Recession for comparable levels of unemployment”; as a consequence, “poverty has grown among the working-age population.” Additional post-“recovery” data on these also provided in “Economic Appendix.”
key element is the growth of the working class, which finds itself in increasingly precarious positions in the industrial countries. Working class here is traditionally defined, the proletariat, or those who sell their labor power because they have no other means of meeting their needs.\footnote{Piketty, et al., 2017 demonstrates the growth of this class on a world scale, with the most significant rise among the Asian rural masses entering into the labor market.}

Reviewing the inequality data Piketty et al. have produced, it seems that not only the bottom 50 percent but the bottom 70 and perhaps 75 percent could represent the social basis for claims that we have seen for pronouncements of “a return of Marx” in the present period. This is in contrast to those claims based on the existence of the “economic crisis” per se (although there is a case to be made that the crisis ten years ago was not conjunctural, I do not have the space here to develop on that).

What can these figures tell us about Mann’s thesis: that the enduring attraction of Keynesianism is that it allows us to embrace a change that does \textit{not} imply a great deal of risk, or the possibility of “throwing it all away”?\footnote{Mann, 2017, 25.} I suggest that this may be, among the upper 20-25 percent of income earners, a genuine concern about the fates of poor and working households. But they are not inhabitants of the same social world.\footnote{This is the subject of recent study in Richard Reeves’ 2017, \textit{Dream Hoarders: How the American Upper Middle Class Is Leaving Everyone Else in the Dust, Why that is a Problem, and What to do about it} (Brookings).} It is not just the distance and disconnection involved in the social stratification either, although this is important. The actual material interests the upper middle class has in preserving the current social order through managed capitalism are fundamentally different—and with these levels of inequality, they are
much greater—than that possessed by the bottom 50 percent of income earners, and even the bottom 60 to 70 percent.\textsuperscript{53}

In naming the upper middle class, the top 20 percent, as the socioeconomic stratum that has the most to lose if capitalism isn’t properly managed, I offer one answers to the question, among whom might there be this enduring hope in Keynesian in this period Mann describes? (And I am not suggesting that it is this 20th and even 10\textsuperscript{th} percentile who bear the primary responsibility for the enormous inequality that characterizes this period.)

There may well be a self-preserving and reasonable upper middle class, more “reasonable” and “pragmatic” even than the current ruling stratum of bourgeoisie, which recognizes inequality is an enormous problem, one that can be destabilizing and who do not wish to take great risks in seeking more permanent resolution to those problems, especially if that means putting their own fates in the hands of the majority. I think the reference to this social layer, which includes the intelligentsia, can add some clarity and coherence to Mann’s perspective.

Mann’s emphasis on the deep anti-populist anxiety that he feels plays the greatest role in attracting people to Keynesianism is partly what led me to view Piketty, et al.’s data in this way. Keynes makes the case that the rational appeal of his program rests on there being something in the present circumstances to preserve, to be protected. I think the existence of such a rational appeal depends to an enormous degree on where one falls in the social strata. One does not have to be the wealthiest to experience such an attraction to Keynesianism. Far from it, since such

\textsuperscript{53}Incorporating global inequality figures further underlines this point, which I think Mann points to in referring to the “global capitalist North.”
“management” may impose unacceptable restrictions on unfettered capital accumulation—something far more threatening to the upper one percent than to the next 19 percent. But for the “progressive” intellectuals Mann claims to be among, many in the top fifteen or twenty percent, there is indeed a lot to lose.\textsuperscript{54}

\textbf{Conclusion}

There is an additional important (and perhaps bleak) tension in the candid views Mann offers, regarding the strong preference for the ‘devil one knows.’ Though the social and political pressures, many of which, I argue, are class based, are pushing a section of the population towards the Keynesian ‘third way’, that way does not—at least on Mann’s view—appear to be an \textit{altogether} attractive option. This is an important and honest moment in his work. He writes:

\begin{quote}
I have a hard time imagining a nonviolent, “democratic” response to the long-term implications of both liberal capitalism’s current trajectory and ecological disintegration driven by climate change and other processes—the two forces being of course bound up in one another. I am willing to accept the logical proposition that a nondemocratic response (at least in the liberal sense of a bureaucratic-technical “fix”) need not necessarily be violent, but it seems very likely to be. The likely liberal response to these new planetary challenges has the potential to further concentrate power and resources into the hands of elites, a condition more than likely to render progressives even more beholden to a political status quo that might seem the only thing between us and political chaos.\textsuperscript{55}
\end{quote}

There is a clear tension here, in addition to the point that any further intervention places “Keynesians” further under the sway of the status quo. Mann seems to be saying that the massive crises generating an ever-stronger attraction to a Keynesian “bureaucratic-technical” fix, also means that “progressives” may be confronted with the option of at least two different kinds of

\textsuperscript{54}Mann, 2017, 23-24.

\textsuperscript{55}Ibid., 19.
(long-avoided) upset and violence: either that in service of status quo bourgeois politics (based on the extremity of the crises), or that in service of... something else.\textsuperscript{56} That the preservation of the social order which he wishes to secure may well require just the sort of violence and social disorder that he hopes to avoid must be another a source of the enormous “Keynesian anxiety.”

\textsuperscript{56}Perhaps fascism. Perhaps... a form of socialism? I do not agree with Mann’s earlier dismissal of socialism, and this is not only because of the enormous inequalities that Piketty’s team has uncovered. There are other factors as well in the development of the international working class that must be considered, not the least significant of which is an unprecedentedly broad and sophisticated connection of the human population via the Internet.
CHAPTER FIVE

CONCLUSIONS

This short chapter provides a summary of the conclusions of each chapter and of the dissertation as a whole.

The modern social inequality dynamic—“the problem of poverty,” as Hegel named it—emerged within the classical liberal problematic: How do we negotiate the interests of the individual and the social whole? It is in the context of this problematic, initially conceived of as encompassing the nation state and the modern institutions of economic intercourse, that economics showed itself to be, at base, political.

The problem, named by Keynes, the “paradox of poverty in the midst of plenty,” is a contradiction or paradox that characterizes the modern social order. It is a real contradiction existing in the social world. In the preceding chapters we have seen three different forms of theoretical expression of the paradox. In our period, the expanding scope of inequality, which grew with the latest phase of the expansion of capitalism worldwide to encompass the globe, strains the political boundaries of the nation-state system and poses new challenges for which institutions have not yet been developed, as Thomas Piketty has argued.

A common feature of each thinker’s analysis is that the state is the fundamental context of the modern social order. This is often referred to in the literature as a “Hobbesian” conception of the state, which denotes a conception, not necessarily based on a form of social contract theory (to which neither Hegel nor Marx exactly subscribe). Rather, the supposition is that an
established national political order is the logical and political precondition for any community engaging in modern economic activity.

The liberal state as a political formation is thus understood to be the socio-political context and precondition for the operations of civil society and the economy\(^1\). Without such a political order, there is no legal basis for the rights of individuals, their property, or any sort of \textit{quid pro quo} exchange. (Indeed, without the state, might would simply make right or, as Hobbes would say, it would be “a war of all against all.”) In the final analysis, the paradoxical form of modern inequality, poverty in the midst of plenty, is a political problem characteristic of the social world in this epoch.

Some of these points may seem quite basic, but they are important to acknowledge, and not take for granted. Both Hegel and Keynes offer justifications for political intervention into the economy aimed at securing the “general good.” That general good is not an abstraction; it is \textit{de facto} the national community, at minimum, and its security falls to the state, which may take up that task in different ways.

Hegel enmeshes the inequality paradox in a unified social whole, which aims to limit the instability that this form of poverty introduces, by aligning, through socially-oriented institutions, individual interests with that of the social whole, the national community. Marx, by contrast, sees this contradiction differently, arguing that the economic and political institutional framework, and in particular the class formations and dynamics in capitalist society, are unsustainable—unstable, crisis-prone—even as technologies are introduced and institutions are developing that lay the basis for a future human organization internationally that is fundamentally different from

\(^1\)For Hegel, of course, civil society \textit{is} the arena of economic activity.
capitalism in its relations of production. I have argued that it was the analysis of the “problem of poverty” that marked a critical point of divergence for modern materialist social theory, i.e., Marxism, from both Hegelian idealism and an influential strain of French radical social thought. Marx and Engels were not primarily preoccupied with the challenges posed by the political management of inequality, but rather what the problem signified for human development. Keynes takes up the inequality paradox directly as a fact of contemporary life, “the paradox of poverty amidst plenty and the anomaly of idle men and idle machines.” Again, we see that the form of the problem as contradictory or paradoxical is not solely or even primarily considered as a feature of thought about this problem. The paradox is real, a fact of social life, and not an illusory or merely theoretical puzzle.

In the works of Hegel and Keynes, the central role played by the state in managing this crisis tendency depends in large part on its political legitimacy, legitimacy based on the state’s purported functioning in the interest of the “general good,” meaning, on this model, the good of the national community. As we saw with the issues preoccupying Keynes, such a function is made increasingly complex, for the expansion of capitalism and the emergence of imperialism and world war meant that the interested parties involved in the security of the “general good” included those outside of one’s national community. Indeed, the global community was increasingly bound together in a highly sophisticated international economy that had no existing political basis for the legitimation of supranational political organizations in which to subsume the economic crisis dynamics.

Decades after Keynes, this problem persists. Thomas Piketty is deeply concerned about the political breaking points emerging, along much the same lines that concerned Keynes in his
time. This is not only the social inequality paradox, but the political instability and indeed threat of major international conflicts believed by Keynes to issue from it. Piketty’s research also demonstrates the existence of inequality of a heretofore unprecedented scale and scope, with data extending back to the period immediately after French Revolution. I think it is critical to recognize that the inequality dynamic and its economic crisis tendency as a major contributing to military conflict has been central to the Keynes’ thought in a way that may not have been fully appreciated, and which Piketty has taken up as a familiar economic and political dynamic, familiar from the early 20th century, seems to have returned in the years since the dissolution of the Eastern Bloc and the ensuing two and a half decades of neocolonial occupation of the Middle East and the African continent.

There are a few further points to make in reviewing the analysis of the preceding chapters. The first is on theory and method among the three thinkers. The second is the justification offered for political intervention into the economy, a social context that is viewed by both Hegel and Keynes as the sphere of individual freedom.

Chapter One provided an analysis of the “problem of poverty,” the modern social inequality dynamic as it appears in Hegel’s *Philosophy of Right*. In it I argued for the theoretical significance of Hegel’s analysis in the history of social thought and against some popular interpretations. As we saw, the dominant interpretations often chafe against philosophical and social aspects of Hegel’s own project, namely: 1) his commitment to demonstrating the development of reason as freedom in the modern social order, and 2) the recognition that Hegel’s institutional framework in the *PR* is not capitalist *per se*, and that this places certain restrictions on its application to our time. It does not make it irrelevant, but it is not an identical reproduction
of the contemporary social order, even in Hegel’s own time. Hegel’s reasons for that have, primarily, to do with the philosophical priorities of his project, and secondarily, the relatively underdeveloped conditions of capitalism at the time he was writing, and thus the relatively peculiar institutional forms involved.

While the first point, his philosophical priorities, pose certain interpretive difficulties for Hegel scholars, it is the second point that seems to be more often overlooked by scholars and commentators, sometimes in a hurry to connect Hegel on this question with more the radical critics of the liberal order, especially Marx. The way Hegel takes up the philosophical issues that he believes are most pressing in the years after the French Revolution, a radical form of individuality potentially unmoored to the social whole outside of the institutions and attitudes that foster an ethos of citizenship, guides and determines his articulation of the inequality dynamic. The challenge, as I have tried to show, is to account for how it is that Hegel managed to articulate the modern inequality dynamic with such insight and sensitivity without suggesting that his framework is capitalist in the modern sense.

It is not capitalist in the modern sense, but this is also not the essential issue in his view. He had managed to achieve a quite sophisticated presentation of the modern inequality dynamic in spite of this. In my view it is not the economic specifics of Hegel’s view on the problem of poverty that are most interesting, but the presence of it, his critique of belief in any sort of “free market” mystically resolving the problems it itself poses, and then his political analysis of the inequality, including the institutional solutions he proposes, in particular, how the corporations and the estates integrate the diversity of individual self-interest into the general interest of a national community. The central factor for Hegel in the problem of poverty was seen to be
individual self-interest, exacerbated by a small-scale but growing division of labor. Hegel viewed the market as not so much a commodity exchange among private property owners, as a *quid pro quo* labor exchange. Moreover, the new class differentiations emerging were not (and likely could not be) accounted for. So the unbridled pursuit of self-interest created problems that full employment policies could not resolve without exacerbating other related problems, including overproduction, “surplus” population, colonization and the eventual reproduction of the dynamic within and without the geographical boundaries of the state. The social anger and alienation that were emerging arose as political challenges to the institutions of civil society and the state.

Contrary to some influential readings of *PR*, I argue that Hegel believed he had resolved the “problem of poverty”, which stood as the most dramatic point of crisis in his *Philosophy of Right*. The problem had to be tackled by moving to a level of social organization and its attendant form of consciousness that subordinated individual gain, and indeed all of economic life, to the good of the national community. Hegel’s position is that it is only under conditions where such solidarity suffuses the culture as a whole that the paradoxical dynamic of inequality be prevented from standing as a permanent threat of destabilizing and potentially destructive social crisis.

In Chapter Two we saw Marx take up the “problem of poverty” as it faced his generation, not long after Hegel’s death. In those critical decades the nature of the problem would grow along the lines that Hegel had analyzed, and rather quickly burst the bonds of his framework as Europe ushered in a new *industrial* society, with its peculiar forces and relations of production: private property, including its “primitive” accumulation from common holdings and the church, and the institution of wage labor. Marx’s analysis of the “problem of poverty” focused on this
new social order, whose dynamics were still being probed and argued over, a social order that saw European society separating into two great classes, with the owning class diminishing in size over time as the numbers of the working class grew, right along with their economic and political demands. In confronting the transformation and expansion of the industrial proletariat, Marx was addressing a fundamental shift in the European social order. The questions involved defined the radical social thought of the early 19th century. The initial responses to the inequality paradox had laid the theoretical foundations for radical social thought in Germany and France, conceptions to which he was directly and critically responding.

Marx, as we saw, was deeply critical of any view of the modern inequality dynamic that stopped at the threshold, so to speak, simply factually acknowledging the existence of a growing number of exploited poor as a tragic problem to be dealt with by the church or the state. Instead he endeavored, while analyzing the general dynamics of the capitalist order as a whole, to determine what such a social phenomenon signified, based as it was in the newly simplified class structure and historically unprecedented productive capacity of industrial capitalism. The Prussian state’s response to the needs and condition of the poor led Marx and Engels early in their careers to draw politically distinctive conclusions about the class character of the modern state and the purported “general interest” of society.

Chapter Three examined the conceptual framework underlying Keynes’ writings in the two decades between the end of the First World War and the beginning of the Second, from 1920 to up to about 1940, as set out in The Economic Consequences of the Peace, The General Theory of Employment, Interest and Money, and his political writings. When viewed from the perspective of his diagnosis of the problem of poverty, and his views on the proper role of the
state in mitigating inequality, the comparisons with Hegel’s work practically invite themselves, even though few such comparisons exist in the literature. There are many similarities based on their shared perspective as liberal critics of a certain form of liberalism, but there are also, of course, important differences, given the development of world capitalism after Hegel, that included newly severe economic depressions, world wars, proletarian revolution and the emergence of fascism, events which affected Keynes’ outlook profoundly.

Keynes characterizes the inequality dynamic of the capitalist epoch as the “paradox of poverty amidst plenty.” His major work, *The General Theory of Employment, Interest and Money* (1936), was aimed at diagnosing the causes of ballooning inequality, and focusing his attention on the main feature of the problem in his view—underemployment. This “revolutionary” treatise was aimed at overturning the conventional economic thinking of his day, and at offering policies that would mitigate the most dramatic forms of social inequality, an aim of radical and socialist politics, without the need for radicals or socialists. He aimed to achieve a form of “socialization” of the capitalist economy, not socialism.² While his outlook during the interwar years was, at times, optimistic, while at other times, modest in its expectations for the future, his overall conception was that the liberal political order had substantial capacity to moderate the social inequality created by unbridled capitalist economic expansion, and thus prevent destabilizing class conflict fueled by underemployment and unjustifiable forms of profit-taking. Keynes was acutely aware that a sustainable market economy would not and could not come about simply through the “natural” operations of the market. At the same time, as we saw,

²“I conceive, therefore, that a somewhat comprehensive socialization of investment will prove the only means of securing an approximation to full employment, though this need not exclude all manner of compromises and devises by which public authority will cooperate with private initiative. But beyond this no obvious case can be made for a system of State Socialism.” GT, 1936, 378.
the limitations imposed by Keynes’ views on human nature, social hierarchy and culture. Keynes’ nationalist approach to the issues also led to brushes with leading British fascists, whom he rebuffed. They nevertheless found Keynes’ thought attractive.

Both Keynes and Hegel promote a national culture in which individual self-interest in the economic sphere is integrated with an imperative to the “general good,” although the institutional means by which each propose this differ, and these differences are not minor technical issues. Where Hegel looks to the “corporation,” Keynes’ relies on political management of the capitalist economy by specialists. Hegel and Keynes both argue that, without the state exercising its political authority to socio-politically (and even culturally) define, circumscribe, and protect a sphere of freedom for the economic agency of the individual, the “unfettered” (to use Hegel’s term), or “natural” (to use Keynes’ term) tendency of economic activity based in private property and market intercourse generates pernicious and destabilizing social inequality that undermines basic individual freedoms. I have shown that in addition to the political similarities between Hegel and Keynes identified by Geoff Mann, there are theoretical similarities between the two in accounting for the origin of modern social inequality in individual self-interest, what it reveals about interrelationships between economic actors and citizens, and the ethical conception motivating such a robust role played by the state in mitigating this social inequality.

In comparing Keynes’ analysis to that of Marx, we see unbridgeable economic and philosophical differences. On Marx’s analysis, the falling rate of profit is in the final analysis an expression of the enormous growth of productivity of labor. The promise that such a development holds for limiting toil and ending class oppression is historically unprecedented. To attempt through political management to preserve the capitalist social order was unthinkable; it
would constitute a futile attempt to hold back the direction of development of the human species set into motion by the expansion of global capitalism. Keynes, by contrast, believed that the future lay in properly managing the capitalist order and not revolutionizing it, even if some of his proposals were aimed at radical ends, like the elimination of a subclass of capitalist, the “rentiers,” and the possibility of the dramatic shortening of the length of the work-day, if only the limitless profit-seeking could be brought to heel. He offered justification for these policies and believed deeply in the power of such ideas over that of “vested interests”. The contrast this outlook presents against the eventual development of the twentieth and twenty-first centuries could hardly be more striking.

The specific disjuncts I emphasized between Hegel’s and Marx’s approach to the “problem of poverty” should be clear. However, there are similarities in their approach to analyzing inequality in the first place that are worth noting, and which distinguish them from Keynes, who proceeds in a different manner.

To the extent that Hegel proceeds in Philosophy of Right from the basic philosophical principle, “What is rational is actual; and what is actual is rational,” which we saw in Chapter One, he was keen to demonstrate this as thoroughly as possible. In Chapter Two we saw Marx directly challenge the Prussian state on this principle, in having produced an “inverted world” in which a poor majority was excluded from both material security and political participation. For his part, Keynes was sensitive to this question from the standpoint of the state’s legitimacy in the eyes of the population. So Keynes did not disagree that the general good must be on the whole

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3 “I am sure the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas… Soon or late, it is ideas, not vested interests, which are dangerous for good or evil.” GT, 1936, 383-384.
expressed or actualized in the relations of the society in order for it to be considered legitimate. However, he was not concerned to interlink the questions of economic disenfranchisement to political disenfranchisement in the same way that Hegel and Marx were, and so these questions do not find theoretical, or for that matter political, expression in his thinking.

In Chapter Four, we saw important indicators of the colossal growth of social inequality in our era (quite the opposite of what Keynes had predicted) and the economic and political challenges this poses as articulated by two contemporary followers of Keynes, political economists Thomas Piketty and Geoff Mann. Piketty has produced a historical body of research on inequality dating back to the time of the French Revolution. His work also shows that the expansion of the global economy over the last four decades, in particular the growth of the financial sector in this expansion, and the political basis on which it has taken place, has given the new extremes of capitalist inequality a malignant form. He and Keynes share the conception that the dangers posed by this inequality are domestic unrest and international conflict. Piketty offers an inequality mitigation proposal inspired by Keynes that relies on two familiar institutions, the state (using monetary and fiscal policy to keep unemployment in check) and a progressive income tax, and he offers a new proposal: a progressive tax on global capital. The dimensions of inequality in the 21st century are such that wealth itself must be taxed. However, Piketty readily acknowledges that such a tax regime is especially unlikely under current political conditions. In response to Mann’s argument that contemporary crisis conditions may make the Keynesian approach ever more attractive, I ask and answer the questions, ‘To whom, and why?,’ using the data Piketty, et al. offer. I also offer a response to Mann’s genuine anxiety that, in the present period, given the depth of the crises, any state intervention to manage in the service of
the “general good” may in the end serve neither general nor good ends, circumstances that make other political options appear quite rational.

An interesting similarity between the two contemporary Keynesians, Piketty and Mann, is a deep (and, from their point of view, quite reasonable) pessimism about the future, which contrasts with Keynes’ own earlier view about the manageability the problem through different steering mechanisms. In some of his work in the 1920s, he too would express the view that planning for “the long run” was not always feasible (thus the title of Mann’s book adopted from Keynes, *In The Long Run We’re All Dead*). But throughout his *General Theory*, Keynes was optimistic about his policies. This is not so for the Keynesians of today.

In his work, Mann offers a view the origins of political economy in the “problem of poverty” as a peculiarly post-revolutionary (i.e., 1789) problem in which the legitimacy of the liberal state’s claims to universality, in being aimed at the general good, comes under question. This is the problem that he, I think correctly, sees Hegel articulating, and providing one solution to, and he sees Keynes working very much in the same vein, post-Russian-Revolution, to argue that they are both “Keynesian.”

As we saw, Mann also emphasizes that both thinkers, in basing their responses to the “natural” inequality created by capitalism and the necessity of mitigating it, have a deep-seated anxiety concerning the “populism” that might emerge in response to social inequality. This is based in a belief, he argues, that the majority of the population is unable to make decisions about economic issues in a way that will preserve the existence of the capitalist social order, and thus both thinkers rely on a layer of specialists to manage inequality at the highest level of state organization for the general good. I have tried to show that Hegel, for all the strangely
anachronistic features of it, offers a substantially more democratic solution to the problem than does Keynes.

Keynes does endeavors to justify the relative limitation of individual freedom for the social good in trying to bring the capitalist inequality dynamic under control. Such justifications are important to Hegel and Keynes in a way that they are not for Marx. Marx views the various and necessary political interventions into the economy as a matter of course for the bourgeois state. The class conflict between the bourgeoisie and the lower classes will drive such interventions, and these will exacerbate conflicts within the ruling class, but the legitimacy of the state as acting in the general good is an ideological notion (although not an unimportant one), but it is not, in his view, a fundamental ethical truth that the bourgeois state must live up to, although it will only more quickly imperil itself if it does not.

To the extent that Mann is correct that both Keynes and Hegel have reservations about populist outbursts in response to social inequality, Hegel’s approach to the integration of the individual self-interest and the general good is far more democratic, in the technical sense of establishing social interest through economic and political participation (in the corporations and estates, however anachronistic those may be), than Keynes is. In one sense, the depth and scope of the crisis facing the European countries and the United States after the First World War, ramping up through the Great Depression and the run-up to World War Two, may well justify in the eyes of many any number of swift, bureaucratic interventions on the part of the state machinery. But from the standpoint of a rich and ramifying conception of modern social inequality, it seems that no liberal thinker has surpassed Hegel on the philosophical aspects of the question, namely the interpenetration of the individual and social goods.
In addition to their similar conceptions of political economy, a notable feature of the outlooks of the Keynesian thinkers, as seen in Chapter Four, is that their political conceptions do not follow in some straightforward or deductive way from their economic analyses. Rather, their outlooks centrally rely on their political beliefs, priorities and expectations for the future and all are informed by philosophical conceptions.

This is perhaps most interesting in Mann’s case, who did not begin as a partisan of Keynes’ thought, but in the course of producing his recent work, became sympathetic to his views, only to, in the end, admit his deep and quite understandable worry that the political order ultimately lacks the capacity to manage the inequalities in capitalist society in any humane way, let alone one guided by “the general good.” Mann’s view is that Keynesianism is the antidote, not to the “specter of communism,” but to a specter of chaos or total social breakdown. His concern is, if this is correct, then the means for the preservation of the given order may just as well involve the kinds of violence, disorder and social dismemberment that “progressives” (he says, like himself) have been seeking to avoid all along by opposing any sort of radical or revolutionary politics. This is a serious concern.

I would put the problem in a different way. Humanity does face existential threats: there is the persistent threat of destruction posed by a major war, in which nuclear arms are in play. There are multiple economic and political problems posed by climate change and threats to large, and mostly poor, sections of the human population. The time for gradual reforms to head off a catastrophe has past. I think Mann’s basic intuition that we saw in Chapter Four is correct: the dilemma we confront is not, as it was one hundred years ago, “reform or revolution,” but
“revolution or counterrevolution.” One could argue that this is no cause for pessimism—quite the contrary.

The fact of the matter is, we have the technological capacity to avoid such tragedies. Indeed, the means exist to provide everyone on the planet a decent, healthy and meaningful life. It is also the case that an increasing number of people are coming to realize—as the evidence becomes nearly impossible to deny—that a radical social change is in order. While there is no such thing as a historical or political guarantee, it is far too soon to simply give up. The future could turn out to be much worse than the present—but it could also turn out to be much better. It depends on what we do, and that is fundamentally a political question.

Take nutrition, for example: A recent Brookings report directly refutes the latter-day Malthusians who claim we face an overpopulation crisis. The report presents evidence that global cereal production, with the necessary changes, such as application of more advanced farming methods, can easily sustain the population growth projected by 2100, and that this can be achieved on existing farmland: “The growth of supply needed for the future—about 2 percent annually—has to come mainly from available farmland to avoid an overly negative impact on fragile ecosystems. This requires finance, investments, innovation, and knowledge to improve the yields at existing farmlands.” To these efforts, a significant reduction in the extraordinarily high level of food waste in the US and EU would need to be added. Based on this, the author concludes: “This means that we could quite easily provide food for 10 billion people on the planet. There is considerable potential on both the food supply and demand side to provide more food for all. Annual growth of demand can be met by helping farmers to intensify production where the yield gap is high. Conscious consumption and less waste in rich countries would already be a safe strategy to provide affordable food for all.” Strubenhoff, “Can 10 billion people live and eat well on the planet? Yes,” Brookings Institute, 2015).

There are greater political challenges even than adequately feeding 10 billion people. One is developing sustainable sources of energy and fuel. There is no lack of public or scientific interest, or potential funding, or even the technical elements needed for research and development of new means to power our life activity. There is not only a near political monopoly of petroleum and gas interests, there are also the financial asset managers and investors who balk at initially high capital costs and unclear profits over time, who currently have the power to halt the development of efficient alternatives. (“Barriers to Renewable Energy Technologies,” Union of Concerned Scientists, 2017) There are also further political obstacles, including wars and trade wars, that prevent the most intensive collaboration of the world’s scientists to create electricity that is clean, safe and cheap enough not to have to meter.

In considering just these two life amenities: high-quality nutrition and access to inexpensive, safe and clean electricity would provide immense quality of life changes to the world’s poorest and to the poor in the wealthier countries, allowing for amenities like cheap cooking capability, water pumps, filtration and sewage, refrigeration, electric light and Internet access. (This is of course to say nothing yet of the badly needed eradication of childhood and tropical diseases, on-site, high quality primary and secondary education and training, and the introduction of more advanced large and small-scale production technologies to underdeveloped areas to create jobs and eradicate material want.)


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Nicoletta C. Montaner was born in Oak Park, Illinois and raised in Tampa, Florida. She graduated with a Bachelor of Arts in philosophy from the University of South Florida, Honors College. In 2008, she was awarded a Master of Arts with distinction from Loyola University Chicago’s philosophy department. While at Loyola, Nicoletta has participated in service, professional committees and academic conference organization, serving in different roles for the Association of Graduate Students in Philosophy, and later as the philosophy department representative on the Graduate Student Advisory Council. In 2016, she won a Loyola University Graduate School award, funded by the National Endowment for the Humanities that provided for an assistantship with the state humanities council to build a monthly public dialogue program in different cities in Illinois. Currently Nicoletta is teaching philosophy at Loyola for the departments of Philosophy and Computer Science.
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