

# Democracy Out of Joint? The Financial Crisis in Light of Hegel's *Philosophy of Right*

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## I. Introduction

The financial crisis that currently besets Europe not only disturbs the life of many citizens, but also affects our economic, political and philosophical theories. Clearly, many of the contributing causes, such as the wide availability of cheap credit after the introduction of the euro, are contingent. Analyses that aim to move beyond such contingent factors tend to highlight the disruptive effects of the neoliberal conception of the market that has become increasingly dominant over the last few decades. Yet while the financial sector has received most of the blame, and rightly so, few commentators seem willing to take into account the role played by representative democracy in its current form.<sup>1</sup> Even if it is granted that actual democratic policies fall short of what they ought to achieve, contemporary representative democracy itself is seldom regarded as part of the tangle it was supposed to resolve. David Merrill touches upon this issue when he notes, in the preceding issue of this *Bulletin*, that ‘the economic dilemmas faced today may be ultimately the consequences of state failure’.<sup>2</sup> The state that has failed to regulate the markets is described as ‘weak’ and ‘subject to external blows, blind to its ends, merely one actor among many in the events of the day’ (Merrill 2012: 28). Yet Merrill does not seem to consider this weakness to be an inherent feature of the constellation of which contemporary democracy is a part.

There are, of course, excellent reasons not to take this path. First, representative democracy has in many cases proved to be the best way of preventing small elites from acquiring political power, and many of the impressive social and political achievements of the twentieth century are the result of democratic processes. Democracy is generally considered to be the best way of guaranteeing the rule of law and in many cases enhances the welfare of all. Second, the idea of democracy has become a non-alienable part of our identity —many conceive of it as an end in itself rather than as a means. Third, there does not seem to be a feasible alternative. Fourth, any criticism of democracy runs the risk of being labeled as a defense of anarchism, totalitarianism or worse. It is much easier to find fault with bankers than with politicians who allow the financial sector to take immense risks, who extend favors to big companies or to voters from their own region,

who allow the budget deficit to reach unsustainable heights or oppose reforms intended to thwart clientelism and corruption.

If these features of democracy are not completely contingent—and I believe they are not—then we have reason to inquire into their origin. At least insofar as philosophy is concerned, even democracy, to borrow Kant's words, should not be considered 'so important because of its utility' or 'so holy' that 'it may be exempted from this searching review and inspection' (Kant 1998: A738/B766). What I hope to achieve in what follows, in a more Hegelian vein, is a modification of the image that democracy has of itself. If democracy is considered as a specific form of thought, then its prevailing self-understanding can be said to be at odds with its role in the events that have resulted in the current crisis. Whereas democracy tends to oppose itself to the market, which it in many cases has come to regard as an external threat, it fails to realise the extent to which it has contributed to the very production of this purported enemy. The current crisis shows clearly how difficult it has become for politicians to prioritise the long-term interests of the society over the short-term interests of specific groups of voters, multinationals or investors. Democracy should become aware, I would argue, of the extent to which it has become entangled with various forms of pressure that issue from the domain that Hegel calls civil society.

It may seem dubious to let democracy reflect on this entanglement by means of Hegel's *Philosophy of Right*. However, I hold that Hegel's analysis of ethical life in terms of the difference between particular interest and universal interest, or between two complementary determinations of freedom, offers more promising conceptual tools in this respect than either classical liberal theory or Marxism. Classical liberal theories complement the view that human nature is driven by self-interest with the belief that the struggle between particular interests is likely to have a positive outcome or, insofar as necessary, can be curbed by disinterested politicians.<sup>3</sup> If, on the other hand, human nature is not considered to be driven by self-interest, as Marx did, then there is no need to affirm the necessity of a market economy and, hence, of a political sphere capable of controlling the infinite struggle between particular interests.<sup>4</sup> Classical liberalism can explain what is so good about the principle of self-interest, Marxism can explain why it has devastating effects. I take it that we can learn from Hegel why the principle of self-interest is both crucial to modern societies and threatens to thwart their flourishing.

In order to read the *Philosophy of Right* in this way, however, one has to give up the idea that this work aims to bring out the conditions for the realisation of individual freedom. While Hegel regarded this freedom as an inalienable achievement, I take his political philosophy to be concerned primarily with the structures that allow a modern state to establish itself as a rational whole. I therefore begin by challenging commentators such as Axel Honneth and Robert Pippin, who consider the *Philosophy of Right* from the angle of individual freedom. As I see it, they unduly ignore Hegel's *critique* of the classical liberal conception of freedom as well as his reason for attributing a different kind of freedom to the state itself.<sup>5</sup> By distinguishing between Hegel's critical analysis of modern

society and the particular solutions he proposes, I hope to argue that the apparently anti—modern strand of the *Philosophy of Right* may as well be understood as a modern critique of modernity such as it was known to him. After a brief discussion of Honneth's and Pippin's approaches to the *Philosophy of Right* (§ 2), I consider some elements of Hegel's account of the state (§ 3), civil society (§ 4) and democracy (§ 5). Focusing on the issue of democracy, the last section interprets the tension between the domains of politics and civil society that characterises contemporary societies in light of Hegel's conception of the relation between these domains (§ 6).

## II. A Few Remarks on Honneth and Pippin

In *The Pathologies of Individual Freedom: Hegel's Social Thought* (2001/2010) Honneth interprets Hegel's conception of freedom primarily in terms of the capacity of the individual to determine his or her aims and to freely pursue the latter.<sup>6</sup> The same can be said of Robert Pippin's *Hegel's Practical Philosophy: Rational Agency as Ethical Life* (2008). Evidently, Honneth and Pippin each in their own way use Hegel's text to argue that individual self-actualisation largely depends on intersubjective relations as well as on social and political institutions that support the latter. According to Hegel individual subjects indeed depend on a complex web of social and political structures to flourish. Yet I hold that their readings of Hegel remain bound to classical liberal theory to a much larger extent than the *Philosophy of Right* itself.<sup>7</sup> On their account, institutions are relevant only insofar as they constitute the conditions for the self-actualisation of all citizens. Thus, Honneth considers Hegel's account of ethical life to represent:

a normative theory of social justice that, by reconstructing the necessary conditions of individual autonomy, tries to determine what social spheres a society must comprise . . . in order to give all its members a chance to realize their self-determination. (Honneth 2001: 18)

Following Honneth, Pippin highlights the role of mutual recognition, but without offering a detailed interpretation of the *Philosophy of Right*. Yet since he uses Hegel for the purpose of an account of individual agency, his readers might easily infer that this work can be squared with the conception of freedom put forward by liberal theories of various brands. In order to make Hegel's views acceptable to contemporary readers Pippin interprets Hegel's notion of objective freedom as the freedom that individuals achieve collectively and for their own good (Pippin 2008: 7), thus ignoring the fact that Hegel attributes a certain kind of freedom to the state itself. Hegel, he writes, 'wants to defend, in his own way, the supreme importance of an individual's free, reflective life, however much he regards it as a necessarily collective achievement' (Pippin 2008: 23). According to Pippin:

Hegel never says anything like ‘The common good has precedence over the individual good,’ or that the individual must *stop* thinking for herself and just obey the law, or that individuals don’t *really* exist, that only some supra-individual ethical substance exists (as if Hegel were an ‘organicist’). (Pippin 2008: 26)

In my view, Pippin here presents a caricature of the *Philosophy of Right* in order to draw Hegel into the camp of liberal political theory broadly conceived.<sup>8</sup> The abstract oppositions on which his own account depends are typical of the mode of thought to which Hegel refers as the understanding. It remains to be seen, moreover, whether Hegel’s view that the common good has precedence over the individual good can be as easily dismissed as Pippin suggests, and the same holds true of his organicist conception of the modern state.<sup>9</sup>

I agree with Honneth, Pippin and other commentators that Hegel considers the modern determination of freedom —individual autonomy— as a necessary element of a modern society. This approach certainly makes Hegel’s *Philosophy of Right* more acceptable to modern readers. Yet the idea of individual freedom that they put center stage does not allow them to differentiate conceptually between, on the one hand, the freedom of citizens to speak their mind and choose from a range of possibilities and, on the other hand, the freedom of transnational corporations to manipulate politicians in order to make as much profit as they can. Hegel, for his part, limits the freedom of individuals to pursue their own aims to the sphere of civil society. As far as the sphere of politics is concerned, he maintains that the ultimate interests of citizens ought to coincide with those of the society as a whole.<sup>10</sup> As I see it, Honneth and Pippin fail to take into account Hegel’s reason for *opposing* the liberal view of the state as a means that allows citizens to further their own interests. It may well be that they thus ignore the truly critical potential of the *Philosophy of Right*.

### III. Hegel’s Conception of the Modern State

As I see it, the crucial part of the *Philosophy of Right* consists in its account of the various domains constitutive of ethical life. On this reading, Hegel’s analysis of the individual will in the Introduction as well as his analysis of abstract right and morality in the first two parts are concerned with forms of freedom that each modern society presupposes, but which do not constitute its main principle.<sup>11</sup> For Hegel, it follows from the idea of a modern state that citizens should be free to pursue their proper ends as long as this does not interfere with the freedom of others. Yet this liberal determination of freedom is not the only kind of freedom at stake in the *Philosophy of Right*.<sup>12</sup> On his account, true freedom is rather achieved whenever human beings or institutions act on the basis of rational principles rather than on the basis of self-interest, that is, whenever they succeed in warding off arbitrariness. Thus rational freedom is basically the capacity of an individual,

an institution, or a state to determine itself from within. It seems to me that Hegel's conception of the modern state should be interpreted primarily in light of his critique of the quasi-feudalist German princedoms of his time.<sup>13</sup> A feudal system lacks true freedom, for a feudal prince could conceive of his country and its inhabitants as his private property.<sup>14</sup> Thus I take Hegel to hold that a modern state only is rational if the government represents the interests of the society as a whole rather than those of a prince or the nobility. Accordingly, the mode of freedom that he attributes to the state is not the freedom to choose between a certain range of possibilities, but rather the freedom to rise above the sphere of contending particular interests and act on the basis of rational principles and laws.

Seen from Hegel's perspective, liberal political theories merely articulate the limited view that modern citizens have of their own freedom. Such theories may be able to understand why citizens deliberately transfer a part of their power to the state, but they cannot understand which conditions must be in place for a modern state to be rational. They cannot do so, he contends, because they reduces freedom to the determination of freedom that is at home in the sphere of civil society and confuse this determination with freedom as such:

If the state is confused with civil society and its determination 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 a quite different kind. . . . [T]he 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.<sup>15</sup>

Hegel would not deny that laws and institutions are actually man-made. Yet in order to comprehend the state as it is 'in and for itself', as it were, he has to abstract from the fact that social and political institutions are actually brought about by citizens who profit from being members of a state. Since he also abstracts from their collective achievements, the freedom he attributes to the state cannot be translated in terms of 'social freedom', as Neuhausser proposes to do. In line with the method that informs the *Philosophy of Right* as a whole, Hegel rather conceives of the state as an organism whose various functions, culminating in the government, are exclusively intended to enact and preserve its freedom, that is, to preserve itself:

The state, conceived as the actuality of the substantial will, an actuality which it possesses when its particular consciousness of itself has been raised to universality, is the rational in and for itself. This substantial unity

is an absolute and unmoved end in itself, and in it, *freedom obtains its highest right*, just as this ultimate end possesses the highest right in relation to the individuals, whose highest duty it is to be members of the state.<sup>16</sup>

Hegel likewise conceives of the spheres of the family and of civil society as means that the state posits in order to preserve itself:

The actual idea, that is, the spirit, that divides itself into the two spheres of its concept —into family and civil society— . . . allocates the material of its finite actuality, that is, the individuals taken as a mass, to these two spheres, such that this allocation presents itself to the individual as mediated by circumstances, arbitrary will, and its own choice of a particular vocation.<sup>17</sup>

Hegel stresses that a modern state cannot be truly rational unless it possesses a constitution that is accessible to all (cf. § 224) and unless its citizens, for their part, comply with the laws and principles established by the state while pursuing their own ends:

Insofar as its content is concerned, [the] rationality [of the state] consists in the unity of objective freedom, that is, of the universal, substantial will, and the subjective freedom at stake in the knowing and willing carried out by individuals, a willing that is directed to particular ends. Accordingly, insofar as its form is concerned, this rationality consists in an acting that determines itself on the basis of laws and principles that have become the *object of thought*, in other words, that are *universal*.<sup>18</sup>

Now it could be argued, of course, that Hegel here and elsewhere defends a conception of the state that bears a strong resemblance to the authoritarian Prussian state of his days. Yet I hold that these passages are primarily meant to argue that a state is only rational if its laws and institutions do not serve the particular interests of the king, the prince, the nobility, or any other elite. When Hegel came to Berlin in 1819 the nobility had begun to thwart or undo the reforms that various ministers had initiated during the Napoleonic years, reforms to which Hegel was largely sympathetic.<sup>19</sup> And when Hegel writes that individuals have the duty to act as members of the state he simply means, in my view, that they should obey the law, pay their taxes, and defend their country in times of war. Seen in this way, there is no reason to reproach Hegel with a conservative or totalitarian conception of the state. Yet this by no means implies that his account can therefore be squared with the liberal conception of individual freedom that Honneth and Pippin attribute to Hegel.

#### IV. Hegel's Account of Civil Society

So far I have presented Hegel's conception of the state as a critical response to political systems that continued to be dominated by the particular interests of a prince or an aristocratic elite. Yet this is only part of the story. The *Philosophy of Right* no less responds to the emergence of a market economy, a system that in his view was vital to the modern world but at the same time threatened to destroy existing social practices and institutions. Hegel thought that in both cases particular interests threatened to undermine the interest of the society as a whole. In his view, only a state that freed itself from the sphere of particular interests might be able to control the disruptive effects of the market and, hence, preserve the unity of the society as a whole.

Hegel's account of the sphere of civil society testifies to the attempt to grasp the nature of this new economic system in purely philosophical terms. This part of the *Philosophy of Right* clearly shares common ground with liberal economic theories such as that of Adam Smith, to which Hegel refers explicitly.<sup>20</sup> In line with Smith, Hegel points out that modern forms of production and trade produce a complex network on which individuals depend for their own means of subsistence. By producing, selling and buying goods, individuals unknowingly produce 'a system of all-encompassing dependence, so that the subsistence, welfare, and rights of the individual . . . are interwoven with, and grounded on, the subsistence, welfare, and rights of all, and have actuality and security only in this context' (PR § 183).

However, Hegel does not share the optimism that inheres in a Smithian account of the market economy.<sup>21</sup> As he sees it, these theories grasp the laws that underlie its dynamic, but fail to adequately comprehend why a market economy left to its own devices 'affords a spectacle of extravagance and misery as well as of the physical and ethical corruption common to both'.<sup>22</sup> A market economy entails a growing gap between small wealthy elites and masses that risk exclusion from the benefits of civil society altogether:

When a large mass of people sinks below 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 honor 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. (§ 244)

This means, Hegel writes, that the proper resources of civil society, 'despite an excess of wealth', cannot preclude 'the excess of poverty and the formation of a rabble' (§ 245).

Given these passages, Hegel's account of civil society might be interpreted as an early critique of a market economy as well as of the theories that support it. But does this mean that Hegel therefore defends a conservative position? Not necessarily, it seems to me. For Hegel might as well be taken to argue that a modern society cannot flourish

without a market economy, but that the latter *at the same time* threatens to destroy the society as a whole —hence his view that a modern society is not rational unless it possesses institutions capable of reining in the forces unleashed by the determination of freedom in terms of self-interest.

One of these institutions is the system of trade associations, rooted in the medieval guilds, that were called ‘corporations’ in Hegel’s time.<sup>23</sup> Hegel realised that there were good reasons to abolish this system, as was actually happening in his days, because the corporations had come to defend the particular interests of their members at the cost of the interest of the society as a whole. However, Hegel responds to this problem not by affirming the necessity of their abolition, but by arguing that the state should prevent the corporations from becoming an end in themselves:

The corporation, of course, must come under the higher supervision of the state, for it would otherwise become ossified and . . . decline into a miserable guild system. But the corporation in and for itself is not an enclosed guild; it is rather a means of giving the isolated trade an ethical status. (§ 255 add., cf. § 290 add.)

It falls to the government, according to Hegel, to prevent the corporations from acting like independent bodies rather than elements of an organic totality:

The task of treating these particular rights [of the corporations] as rights that are in the interest of the state and the legal sphere, and that of subordinating these rights to the universal interest of the state, need to be performed by delegates of the executive power, that is, by executive civil servants and higher consultative bodies . . . that converge in the supreme positions of those who fall directly under the monarch. (§ 289, translation modified)

According to Hegel, the corporation ought to play a crucial role in modern societies because a market economy threatens to reduce individuals to atomistic entities that are driven exclusively by particular interests:

If the individual is not a member of a legally recognized 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. He will accordingly try to gain recognition through the external manifestations of success in his trade, and these are without limit because it is impossible for him to live in a way appropriate to his estate if his estate does not exist. (§ 253, cf. 255, add.)

Thus, for Hegel the function of the corporation consists in allowing citizens to transcend the abstract mode of freedom constitutive of a market economy. However, the corporation is also relevant to the mode of freedom that Hegel attributes to the state *itself*. If we take the state itself rather than the citizen as a starting point, then the corporation emerges as a means —produced by the state itself— that allows the latter to rein in the destabilising force of a market economy.<sup>24</sup> A state has to employ such means, according to Hegel, in order to maintain itself as a rational, well-organised totality and, by doing so, serve the interests of the society as a whole. Given the proper dynamic of a market economy, the modern state can only maintain itself by producing strong civic institutions and, ultimately, a political system capable of subordinating the aims of these institutions to those of the society as a whole.

Seen in this way, Hegel's reason to attribute a certain kind of freedom to the state as such – and to adopt this freedom as the ultimate principle of his political philosophy – is a critical response to what he considered to be the necessary implication of a market economy. Obviously, we can no longer endorse Hegel's view that the market should be regulated by corporations and that the corporations, in their turn, should ultimately be controlled by a constitutional monarchy. But that does not mean we have to abandon Hegel's insight into the risks that a one-sided determination of freedom in terms of self-interest entails. That brings us to the question of democracy.

## V. Hegel's View of Democracy

Given the above account it should not come as a surprise that Hegel was not in favor of democracy. Hegel thought that a government devoted to the interests of the society as a whole required above all a well-trained and well-informed civil service controlled by ministers and a monarch.<sup>25</sup> He held that such a government also required the representation of various sections of the population through a permanent Assembly of the Estates. This bicameral assembly ought to be made up of representatives of the nobility (§§ 305-307) and the middle class (elected by the members of the various corporations) (§§ 308-311). Hegel attributes to these chambers the role of mediating between the government and the people (§ 302, §§ 312-13), but he is somewhat vague about their rights and duties. He seems to consider the task of the delegates primarily to consist in informing the government about issues and problems relevant to the various parts of the population (§ 311) and, on the other hand, of informing the population about the decisions of the government (§ 314). Insofar as the estates do have the right to participate in decisions about 'matters of universal concern' their role ought to be 'accessory' rather than decisive (§ 314). For Hegel, the 'formal right' of the estates to participate in the deliberations of the government and cast a non-binding vote clearly sufficed with regard 'to those members of civil society who have no share in the government' (§ 314).

It goes without saying that, seen from a contemporary point of view, the extent of the formal right that the *Philosophy of Right* grants to citizens is extremely limited. Moreover, Hegel's view that the population could be adequately represented by corporations—or by the nobility—disregards the potential conflict between the owners of the means of production and the workers. Even in Hegel's days it must have been clear that the organic structure of the corporation could not accommodate the increasing opposition between these two groups.

Yet Hegel's critical analysis of the problem that seems to ensue from a system that extends the right to vote to a large part of the population has perhaps not become completely irrelevant. His view on this matter emerges more clearly from his *Lectures on the Philosophy of History* than from the *Philosophy of Right*. The following passage from these lectures is one of the very few to mention liberalism explicitly:

Not satisfied with the establishment of rational rights, with freedom of person and property, with the existence of a political organisation in which are to be found various circles of civil life each having its own function to perform, . . . liberalism opposes to all this the atomistic principle of the individual wills: everything should happen through their express power and have their express sanction. Due to this formal determination of freedom, to this abstraction, these individual wills prevent the establishment of a firm organisation. Freedom forthwith opposes the particular decisions of the government, for these are the result of a particular will and hence of arbitrariness. The cabinet collapses through the will of the many, and the former opposition takes its place. Yet the latter, having become the government, is in its turn opposed by the many. . . . It is this collision, this tangle [*Knoten*], this problem, that now challenges history [*an dem die Geschichte steht*] and that it has to resolve in future times.<sup>26</sup>

Now it might be argued that in many cases societies learned to cope with the defects of a political system based on the struggle between contending particular wills. In some cases, such as the United States, the system seems to be threatened less by the alternation of governments with contrary views than by the simultaneous presence of parties with contrary views in Congress. Yet this is not to say that our time has resolved the tangle that democracy entails in all respects. For one, Hegel does not seem to take into account the extent to which the particular wills of political parties and individual politicians can become bound up with the particular wills of groups and individuals whose activities fall within the domain of civil society. In our time, voting seems to have become a rather 'accessory' way of exerting political power compared to the ways in which financial institutions, multinationals and other interest groups do so. Perhaps this is a tangle that our time has yet to face.

## VI. Democracy Today

So far I have interpreted Hegel's conception of the relation between civil society and the state in light of his distinction between particular interest and universal interest. Yet the conceptual distinction between particularity and universality itself cannot be taken for granted, because a particular group can always present its interests as those of the society as a whole. In this regard Marx's criticism has not lost its pertinence. It seems to me that we should nevertheless hold on to this conceptual distinction, because without it it would be impossible to criticise practices dominated by the struggle between contending particular interests.

In some respects, the modern state on which the *Philosophy of Right* reflects can be said to be similar to ours. The functions that Hegel attributed to corporations have partly been taken over by trade unions, professional associations and a wide range of governmental benefit programs. Yet just as corporations in Hegel's time were unable to meet the challenges of a market economy, these contemporary institutions have a hard time meeting challenges such as a globalizing economy and the ensuing structural unemployment, or aging populations and the ensuing costs of health care insurance and pensions. Moreover, modern societies have to deal with a global finance sector that has increasingly detached itself from the real economy and is taking risks for which individual states remain accountable. On the one hand, the finance sector constitutes an element of civil society in the Hegelian sense of the term. On the other hand, it is an element that has isolated the principle of particular interests from its contrary to such an extent that it seems to fall outside the bounds of civil society altogether. Since financial institutions, contrary to political ones, have almost completely freed themselves from the limits imposed by space and time, the pressure that they can exert on governments has increased exponentially.

Seen from a Hegelian perspective, the sphere of civil society must acquire a certain independence from the sphere of politics in order to flourish. This means that the struggle between contending particular interests must be given free rein. On the other hand, the determination of freedom on which the market relies must be prevented from getting the upper hand, because a society ruled by contending particular interests alone would destroy itself. As we have seen, Hegel considers this to require strong political institutions. Yet will democracy as we know it today continue to be able to provide this strength? Democracies are anything but immune to the sphere of particular interests, for they owe their life to the infinite struggle between contending views. Looking back, it is clear that this struggle has often resulted in laws and actions that furthered the interests of the society as a whole. In many cases, moreover, democracy has contributed to the actualisation of rational freedom to an extent that Hegel could not have imagined. Liberalism therefore rightly celebrates the freedom from which the modern world derives its wealth, its ideals and the energy to turn these ideals into practices.

But if we consider the state of politics in Greece or the United States, for example, then the belief that the positive effects of democracy necessarily prevail seems no longer warranted. Evidently, the very idea of democracy entails that politicians depend on voters whose interests do not necessarily coincide with the public good. The ensuing risk of populism is a feature of any democratic system, just as capitalism necessarily entails the opposition between owners and workers. But the more voters regard politics as a means to further their own interests, that is, the more they act as consumers, the more difficult it becomes for politicians to withstand electoral pressure and act in view of the long-term interests of the society as a whole, for instance by preventing the unsustainable accumulation of debt or by taking into account future generations in other respects.<sup>27</sup> The pressure exerted by voters, or unions, can be a good thing or a bad thing depending on a variety of circumstances. Greece exemplifies of what goes wrong when irresponsible politicians for decades on end act on behalf of their own interests and those of their clientele. In my view Greek politics exhibits a tendency that also threatens to undermine the rationality of many other democracies from within.

Spending way beyond their means, Greece and other European countries have put their sovereignty at risk. In these cases, the pressure exerted by financial markets is—at least in part—the result of a political system too weak to oppose the short-term interests of politicians and voters. Yet democracies are also exposed to the power of the finance sector, global corporations and other interest groups in more direct ways. Modern societies require a market economy and the free flow of capital in order to flourish. Yet in nations such as the United States democracy has become entangled with the interests of banks and transnational companies to such an extent that the state threatens to be reduced to an instrument by means of which a small elite satisfies its proper aims, that is, to a system that democracy believed to have overcome once and for all. Given the extent to which contemporary democracies are exposed to forms of pressure that stem from particular interests, they may be less and less capable of maintaining a clear-cut difference between the sphere of politics and the sphere of civil society and, hence, of preventing the latter from dominating the former.

But isn't democracy functioning quite well in many cases? Aren't the examples to which I refer extreme cases that do not touch upon the true nature of democracy? It seems to me, however, that forms of objectified thought such as democracy should be treated not in terms of the classical distinction between a true core and a corruptible rind, but rather in terms of two contrary tendencies of which the one is not necessarily stronger than the other.<sup>28</sup> On the one hand, the mechanisms that allows citizens to participate in the process of political deliberations, however indirectly, often results in decisions that are in the long-term interests of the society, for instance when populations support increasing the pension age. Yet on the other hand in many cases such measures are extremely difficult to enforce because of the pressure exerted by voters on politicians concerned with their re-election rather than with the fate of future generations.

Hegel, for his part, could conceive of the struggle between freedom defined in terms of particular interests and freedom defined in terms of universal interest as a struggle *between* the domains of civil society and the state. He thought that a constitutional monarchy, supported by well-trained civil servants, could sufficiently safeguard the political realm from the struggle between contending particular interests. But actually the struggle between, on the one hand, particular interests and, on the other, universal interest, is increasingly unfolding *within* the domain of politics, and this in such a way that it is becoming ever more difficult for politicians to act on behalf of the latter. As I see it, Hegel's distinction between the complementary modes of freedom constitutive of civil society and the state allows us to understand why societies that adopts individual freedom as its absolute principle threatens to ruin itself. He allows us to understand, to put it more concretely, why the simultaneous development of capitalism and democracy that defines the modern world is a blessing as well as a curse, and this because they are based on the same determination of freedom rather than on complementary determinations.

Yet clearly we cannot follow Hegel all the way. Hegel could point out the risks entailed by a market economy because he believed that a constitutional monarchy might be able to control its proper force. For most nations, this escape route has been blocked both in theory and in practice. As Neuhouser points out, Hegel's claim 'that the state possesses absolute authority in relation to its individual members . . . is most jolting to our modern (liberal) ears' (Neuhouser 2000: 215, cf. 219). What we are left with is a democracy that seems to lack both the freedom and the force to adequately contain the self-interestedness that drives capitalism. This is all the more disturbing because we can no longer rise against feudalism or other forms of tyranny in the name of democracy. The freedom to speak their mind granted to all citizens is also the freedom that allows transnational corporations, investors and other interest groups to finance the election campaigns of politicians and curb their opinions in favor of their own interests. The fact that many democratic governments increasingly fail to disentangle themselves from the short-term interests of both the electorate and the markets should be as jolting to modern (liberal) ears as Hegel's defense of a strong state.

Given the extent to which our identity is bound up with the idea of democracy, it is hard to see how the increasing entanglement of democracy and civil society and, hence, the predominance of particular interests, could be undone. Even though Europe is granting more power to technocrats and technocratic institutions, it will hold on, for better or for worse, to its hard-won democratic values and practices. Yet regardless of what is going to happen, the time may have come for a more critical stance towards democracy. Aroused from its dogmatic slumber by the current crisis, democracy might have to recognise itself not only in its past and present achievements, but also in its failure to live up to the promise that its very concept contains.

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<sup>1</sup> Among the exceptions is Crouch (2004). Crouch's analysis, sociological rather than philosophical, is primarily concerned with the increasing influence of corporations on national governments, caused, among other things, by their capacity to move from one country to another, and the extent to which politicians, for their part, have appropriated the logic of the market. According to Crouch this development ensues from the disappearance of the kind of pressure that large groups of manual workers used to exert on politics (29-30). It has the effect, in his view, of 'returning politics to something resembling what it always had been before: something to serve the interests of various sections of the privileged' (vii). Crouch does not seem to take into account, however, that the influence exerted by majorities does not necessarily result in political decisions that serve the long-term interests of the society as a whole.

<sup>2</sup> Merrill (2012: 27). Like the present article, Merrill's addresses the current financial crisis from the perspective of Hegel's political philosophy. Drawing on Winfield's work on Hegel, Merrill approaches the current constellation primarily in ethical terms. In his view, 'an economic ethics' based on the equal opportunity of all to gain a livelihood should 'serve as the normative standard against which real economies or proposals for economic reform should be judged' (26). I do not see, however, why we should draw support from ethical categories to argue that the primacy of the market poses a threat to the long-term interests of modern societies. I hold, moreover, that the *Philosophy of Right* itself considers the modern state in terms of rationality and sustainability rather than in terms of morality or justice. The fact that a market economy requires laws to protect the rights of owners, buyers and sellers does not entail that the system as such can be viewed as either just or unjust, as Winfield (1988) maintains. The same holds for the Hegelian view that agents realize a certain form of freedom by engaging in market transactions. I therefore do not see how the *Philosophy of Right* can be used to develop a prescriptive economics, as Winfield aims to do.

<sup>3</sup> See for an interesting account of the relation between Smith and Hegel Herzog (2011).

<sup>4</sup> For the early Marx bourgeois politics was nothing but a means to further the interest of a small elite. That is why he attributed the principle of universality not to a separate political sphere, but to the proletariat, which in his view could bring about a system not tainted by the struggle between contending particular interests characteristic of preceding systems. See Marx (1994: 69). Yet Marx' optimism as to the political role of the proletariat is premised on the idea that human beings can overcome their immediate self-interest, a view that from Hegel's point of view is at odds with the principle of modern freedom.

<sup>5</sup> See Smith (1991) for an account of Hegel's political philosophy that focuses on his critique of rights-based liberalism. Smith considers the *Philosophy of Right* to forge a middle path between liberalism and communitarianism or between Locke and Aristotle (6-8). In my view, however, Hegel's reason for putting into perspective liberal political theory stems from his analysis of the nature of a market economy rather than from a conception of the state as 'an ethical institution which has a kind of dignity and sacred absoluteness

of its own' (135) or 'a locus of shared understanding' (233). Since Smith discusses neither Hegel's analysis of the market nor his criticism of quasi-feudalist governments, he seems to underestimate the extent to which Hegel was responding to political developments and debates that took place in his time.

<sup>6</sup> This work is a translation of Honneth (2001). A substantial part of the German version (7-71) corresponds to an earlier English edition (Honneth 2000).

<sup>7</sup> Evidently, the terms 'liberal' and 'liberalism' have a broad range of meanings. For present purposes I use the terms to refer to all political theories that adopt the freedom of the individual to pursue his or her own ends as their basic principle. This position can go hand in hand with the acknowledgment of the role of social institutions (considered as means that allow subjects to achieve certain ends) and with a defense of redistribution policies. I hold that Hegel's criticism of this methodological individualism—today predominant—does not warrant the conclusion that he defends a pre-modern, totalitarian or communitarian view of either the state or particular social institutions.

<sup>8</sup> Cf. for a similar approach also Patten (1999). Patten even considers Hegel to attribute 'absolute freedom' to individual agents (35).

<sup>9</sup> A third work that can be mentioned in this context is Neuhouser (2000). Contrary to Honneth and Pippin, Neuhouser does not reduce the freedom at stake in the *Philosophy of Right* to subjective freedom, but takes into account that for Hegel 'rational laws and institutions embody a kind of freedom that is independent of the conscious knowledge and will of social members' (118). Yet in order to make Hegel's notion of objective freedom acceptable to his intended readers, Neuhouser translates it in terms of social freedom. On this basis, he no less than Honneth interprets institutions as conditions for the self-actualization of individual citizens: 'Hegel's accounts of the inherent rationality of the particular institutions that make up ethical life . . . are in fact devoted in large part to the task of demonstrating how those institutions effectively secure the conditions necessary for the freedom of individuals to be realized.' (120-121, cf. 7). Whereas Neuhouser on the one hand affirms the holistic aspects of Hegel's theory (122), he on the other hand offers a reconstruction that focuses on those of its elements that are in accordance with the methodological atomism he wishes to defend. As he sees it, Hegel's theory 'operates, albeit implicitly, with a conception of the good . . . of individuals as individuals and . . . takes the satisfaction of those interests for all social members as one of the conditions a social order must meet in order to count as fully rational. This means that the strongly holistic good that the rational social order allegedly realises *must be compatible with* the satisfaction of the fundamental interests of all of its individual members considered as such.' (177-178). No less than Honneth and Pippin, therefore, Neuhouser downplays those elements of the *Philosophy of Right* that are not compatible with the determination of freedom in terms of individual self-interest.

<sup>10</sup> Cf. PR § 258, rem., § 260.

<sup>11</sup> Hegel remarks in his 1822-1823 *Lectures on the Philosophy of History* that, within the element of human freedom and human will, 'human will becomes the abstract basis of freedom', whereas freedom should also be considered as the way in which the ethical world realises itself (Hegel 2011: 146).

<sup>12</sup> 'The usual idea of freedom is that of free choice (*Willkür*). It is a midway stage of reflection between the will as merely natural impulse and the will as free absolutely. When it is said that freedom as a general thing consists in doing what one likes, such an idea

must be taken to imply an utter lack of developed thought, containing as yet not even the suspicion of what is meant by the absolutely free will, right, the ethical system, etc.’ (PR § 15 rem., cf. § 258 rem. (400/276)).

<sup>13</sup> ‘In the feudal monarchy of earlier times, . . . the particular functions and powers of the state and civil society . . . were the private property of individuals, so that what the latter had to do in relation to the whole was left to their own opinion and discretion.’ (PR § 278 rem.).

<sup>14</sup> Prussia abolished serfdom in 1810 and allowed the nobility to appropriate lands formerly used by the peasants. See Pinkard (2000: 423-486). The laws of rationality, Hegel notes, have swept away ‘those relics of that condition of servitude which the feudal relation had introduced . . . , and all those fiscal ordinances which were the bequest of the feudal law . . . are abrogated’. (Hegel 1956: 448).

<sup>15</sup> PR § 258, rem., cf. rem. p. 400-401. For the same reason Hegel also opposed the liberal conception of the relationship between citizens and the state in terms of a social contract (PR, § 75 add.).

<sup>16</sup> PR § 258, emphasis mine, cf. § 260.

<sup>17</sup> PR § 262, translation modified. Clearly, Hegel here abstracts from the fact that no state can be brought about without cooperating individuals. His focus is exclusively on the *idea* of the modern state, an idea that only within speculative philosophy is treated as a quasi-subject capable of carrying out certain acts. This is, of course, a procedure that appalled the early Marx, who does not seem to take into account the methodological nature of Hegel’s approach. Hegel, Marx writes, ‘starts from the state and makes man into the subjectified state; democracy starts with man and makes the state an objectified man. Just as it is not religion that creates man but man who creates religion, so it is not the constitution that creates the people but the people which creates the constitution.’ (Marx 1994: 9).

<sup>18</sup> PR § 258 rem., translation modified. Cf.: ‘The essence of the modern state consists in uniting the universal with the full freedom of particularity and the well-being of the individuals. It requires, that is, that the interests of the family and civil society converge toward the state, but equally that the universality of the end cannot advance without the form of knowing and willing that belongs to particularity. . . . Only when both moments attain force and preserve this force can the state be regarded as articulate and truly organized.’ (§ 260 add., cf. also § 373).

<sup>19</sup> See Westphal (1993), Wood (1999: 12-14), Pinkard (2000: 423-486), Lee (2008).

<sup>20</sup> PR § 189, rem. Hegel was also acquainted with the dynamic of the market economy through English newspapers. His diagnosis clearly foreshadows Marx’ later analysis of capitalism. Whereas Hegel did not live to experience capitalism such as it developed in the course of the nineteenth century, around 1820 the basic features of what was going to be —and to be called— capitalism had already materialised in England. See on this MacGregor (1996).

<sup>21</sup> Neocleous (1998: 49-52) attributes this lack of optimism to the influence of Stuart’s *Inquiry into the Principles of Political Economy* (1767).

<sup>22</sup> PR § 185, cf. §§ 241-245. See Avineri (1972: 147-154), Wartenberg (1981: 169-182).

<sup>23</sup> Cf. PR § 255 rem.

<sup>24</sup> ‘These institutions together form the constitution —that is, developed and actualised rationality— in the realm of particularity, and they are therefore the firm foundation of

the state and of the trust and disposition of the individuals towards it. They are the pillars on which public freedom rests, for it is within them that particular freedom is realized and rational.' (PR, § 265, cf. § 262).

<sup>25</sup> 'The government rests with the civil service and is completed by the personal decision of the monarch, for a final decision is . . . absolutely necessary. Yet with firmly established laws and a settled organization of the state, what is left to the sole decision of the monarch is, insofar as substantial matters are concerned, no great matter. . . . Those who know ought to govern— . . . not ignorance and the presumptuous conceit of knowing better.' (Hegel 1956: 456, translation modified, cf. PR, § 279, add., § 280, add.). See Westphal (1993: 260-262, 269) for a succinct reconstruction of Hegel's account of the various elements of the government.

<sup>26</sup> Hegel (1956: 452), translation modified, cf. PR § 273 rem., §303 rem., § 308 rem.

<sup>27</sup> I here abstract from other factors that might contribute to high levels of public debt, such as wars, economic recessions or bail-outs.

<sup>28</sup> See on this De Boer (2010).

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