

THE EDUCATIONAL ROLE OF THE MARKET SPHERE: BRINGING AN EXPANDED HEGELIAN VIEW TO TODAY'S MARKET SYSTEM

*Pedro A. Teixeira*¹
(Freie Universität Berlin)

1. Expanding the standard reading of Hegel: the educational and formative role of the market sphere

Current attempts to provide a moral foundation to the market system or sphere find inspiration in authors like Hegel (1991), Durkheim (1958, 2014), Hirschman (1982) and in Karl Polanyi (1979) too. But while there is a range of authors who can be seen as precursors of approaches which seek to criticize markets mainly from a normative perspective (cf. Foucade, Healy 2007), some of which rely on the identification of the normative presuppositions lurking behind our participation in the market sphere (Honneth 2014, pp. 176-252), these approaches sometimes omit the advantages the market structures might yield to the development of individuals and societies alike. In Hegel's *Philosophy of Right* (1991) we find an account of civil society and of the market sphere which makes possible not only drafting a developmental story of the unfolding of these two elements of our social world, but also, ultimately, a normative basis onto which a critique of markets can be based. In this paper I will discuss a recent contribution in the study of Hegel's views on the market sphere which points to an unexplored argument in favour of the market sphere: its role as a medium which facilitates the educational and formative development of the members of civil society.²

1 pedro.teixeira@fu-berlin.de.

2 In this paper, I cite Hegel's works by employing the abbreviations below. The *Philosophy of Right* is quoted by paragraph according to the English translation published as *Elements of the Philosophy of Right*, ed. Allen W. Wood and trans. H.B.

Before I proceed, I should introduce here two much-needed caveats. First, in this paper I am not concerned with reaching a definite account of Hegel's views on the market system or sphere. That is surely an important discussion within Hegelian scholarship, but the main purpose of this work is to examine the added-value of both the standard interpretation of Hegel's views on the market sphere and a new interpretation according to which the market system has an intrinsic educational and formative value for the members of civil society. The main purpose of this paper is to provide answers to the following two interrelated questions: does this broader interpretation of Hegel regarding the intrinsic value of the market give us a useful angle from which to understand and potentially criticize current market practices? And if it does, at what level may this new insight display its usefulness?

Second, it should be noted that Hegel's reflections on the market sphere are difficult to distinguish from his wider account of civil society. I will try, as much as possible, not to enter too much into his complex argumentation about the features of civil society that enable the expansion of freedom.³ Some of the elements which are constitutive of the sphere of civil society (for example, the administration of justice), while bearing a relationship to the system of economic production and exchange, can no longer be said to belong directly to the market sphere. That Hegel for the most part does not explicitly talk about markets likely owes as much to the fact that they were not yet seen as standalone objects of study as to the particular way Hegel progressively unfolds the coming to be of every manifestation of Reason in actual, existent social structures.

In any case, the standard view on Hegel's arguments for the market sphere holds that, for the most part, they seem to resonate Adam Smith's insights in the *Wealth of Nations*. Like Smith, Hegel seems to believe that the market economy is superior to other economic systems (PR §185A) due to its intrinsic capacity to allow the free expression of the desires of the members of society (PR §194) (cf. Wood 1990, Knowles 2002,

Nisbet (Cambridge: Cambridge University Press, 1991). The Wanneman notes and the lectures on the Philosophy of Right are quoted by page number.

• *Elements of the Philosophy of Right* [PR]

• *Philosophie des Rechts: Die Mitschriften Wannemann (Heidelberg 1817/18) und Homeyer (Berlin 1818/19)*. [VPR1]

• *Philosophie des Rechts: Die Vorlesungen von 1819/20 in einer Nachschrift*. [VPR2].

3 I here side with the kind of interpretative effort presented by Neuhouser (2000), who undertakes an analysis of Hegel's social theory premised on the idea that a social order is rational insofar as the institutions of that social order help secure and expand freedom, in all its different guises.

Peperzak 2001, and Herzog 2013), which in turn enables individuals to fulfil their particular needs in the space of difference that civil society represents (Neuhouse 2000, pp. 135-136). This point is especially important if one interprets Hegel's *Philosophy of Right* as an attempt to describe the specific contribution of each of the several spheres of society (the family, civil society and the state) to the realisation of private, moral and social freedoms (cf. Neuhouse 2000, p. 34).

In addition, and again similarly to Smith, Hegel also recognises the capacity of the market sphere to increase overall material wealth (PR §243), even if it remains to be seen whether the gains from increased economic growth do actually 'trickle down'. While Hegel generally subscribes to Smith's outlook, he expresses the worry that the market sphere may contribute to the undoing of a large portion of the population by actually decreasing their prosperity (PR §244). For Hegel, this side-effect of the market system may be compounded by the exclusion of some people from work, understood here as the productive activity which is both a source of honour and of self-esteem for persons as workers (PR §244-245).

But the benefits brought about by the market sphere are not limited to the growth in aggregate economic output. In fact, markets also encourage innovation by fostering and allowing the expansion and multiplication of goods and needs (PR §190-191) Nevertheless, Hegel also displays his reservations about this 'infinite process' of generation of new needs and products. Hegel's main concern here is that it might make market participants feel more miserable (PR §191-195) as they find themselves permanently striving for the fulfilment of newly created, artificial needs. Already the qualifications made by Hegel with regard to these three points famously presented by Adam Smith show Hegel's concern with the negative effects of the market sphere. In fact, despite textual evidence pointing to a more nuanced picture of Hegel's embrace of the market institution, namely Hegel's arguments about the need for countervailing structures of the civil society (e.g. the police and corporation) to counter the worst effects of the market system (cf. Hegel's comments about the *rabble*, PR §244), Hegel is still sometimes seen as a plain follower of Smith. This is true to some extent, but the reservations he shows highlight the inadequateness of such a loose view, which, one may also say, is also unfair of Adam Smith himself.⁴

4 Contrary to popular belief, at several points in both *The Wealth of Nations* (1776) and his *Theory of Moral Sentiments* (1790) Smith makes clear his non-absolutism with regard to the supposed superiority of markets (cf. also Herzog 2013; Herzog, Honneth 2014, pp. 15-18).

2. The market system as a sphere of *Bildung* (“education”)

In a recent paper, Heisenberg (2018) extends the prevailing view of Hegel by claiming that it is fundamentally incomplete, as it overlooks a crucial advantage afforded by the market system: its educational role.⁵ As Hegel himself stresses in PR §187, civil society is the space of *Bildung par excellence*. If, then, markets constitute a fundamental part of the sphere of civil society, it begs the question whether they also fulfil a direct and discernible educational role, or whether *Bildung* in civil society is limited to other parts which bear no clear relation to the unique attributes of the market sphere.

In Heisenberg’s reading, the Hegelian defence of the market system is fundamentally incomplete without considering the remarks in the *Philosophy of Right*, in the Wanneman notes to the *Philosophy of Right* (1817/18 and 1818/19) and in the lectures on the *Philosophy of Right* (1819/20) which point to the vital importance of the market system as a space in which the members of society, in their gradual learning process towards becoming full members of a society of equals, learn not only to regard others as individuals with equal standing and endowed with equally relevant desires, but also to see the well-ordered civil society as the only space in which they can find proper shelter and fulfilment. This argument can be broken down into four parts:

1. By entering the market sphere individuals learn something about their own desires and needs, in a way that was not possible within the ethical unit of the family. This in turn constitutes a liberation [*Befreiung*] (PR §194-195) in which individuals not only “free themselves” [*sich freimachen*] (PR §182Z), that is, become free to pursue their particular desires, but also become finally conscious about their own desires (cf. Heisenberg 2018, p. 5);

2. By entering the market sphere and engaging in market exchanges with others, each individual learns that other persons have different needs and desires. Persons therefore develop their own “tact” [*Schliff*], broadly meaning here our general capacity to behave properly in the social world, as they learn about the interests and needs of others (PR §187Z, VPR1, 259). This in turn helps all participants realize that our modern society

5 It is always worthwhile recalling that the German concept *Bildung* loses some of its special significance when translated into the English word “education”. To our modern ears “education” mostly means learning new skills or acquiring some sort of knowledge and therefore does not necessarily refer to a process of character and personal development which brings us to maturity and which also plays a role in the formation of free citizens (see Neuhauser 2000, p. 31). In this paper I will use the words *Bildung* and “education” somewhat interchangeably, in order not to distract the reader by the permanent use of the German noun.

is characterized by a certain level of diversity against a background of homogeneity (VPR2, 157);

3. Once they enter the market sphere individuals come to terms not only with the differences between market participants (as shown in step 2 above) but also with their equality as mere human beings with desires and needs (PR §209A). As such, we come to see the universal determinations of others *qua* human beings, as opposed to the particular determinations as specific individuals.⁶ The market therefore enables the learning both of difference – individuals will exhibit a wide variety of interests and desires – and of equality, which may seem paradoxical. We thus learn something about our social world.⁷

4. Finally, because the market resembles a “state of nature”, by participating in the market we get a glimpse of what it would be to live in such a state of war of all against all. The disaggregation brought about by markets, which is necessary for persons to actively pursue their desires and fulfil their needs via acts of exchange, suggests the situation of a ‘state of nature’ while never actually constituting one. The visible effects of market interactions, which include the unbridled pursuit of self-interest as well as the rise of inequality, poverty and the creation of artificial needs, inadvertently “teaches” us that only collective institutions can bring back some of the lost ethical unity.

Although there is much to profit from a renewed understanding of Hegel’s arguments about the advantages of the market system, the current state of development of market structures makes a focus on the formative gains afforded by the market system as an additional source of justification for our reconciliation with the market economy [alongside the enablement of individual particular desires or expansion of overall economic output (cf. Smith 2002, David Ricardo 2015)] particularly incomplete as a solid ground for a contemporary critique of the market system. In the following section I will highlight several reasons why we should be particularly wary of applying this kind of project to the highly complex and differentiated economic systems of our time.

6 The expression of particular determinations includes membership of a social group: “I am apprehended as a universal person, in which respect all are identical. A human being counts as such because he is a human being, not because he is a Jew, Catholic, Protestant, German, Italian, etc.” (PR §209A).

7 The learning process outlined in step 3 of Heisenberg’s reconstruction suggests a “civilising” effect of the market sphere, in the sense that it helps us realise the universal needs shared by all human beings alike. Cf. Hirschman’s *doux-commerce* thesis – the “civilising” effect of the expansion of markets (Hirschman 1982).

3. Limitations of the educational role of markets

In the roughly two hundred years which have gone by since Hegel delineated his account of the sphere of civil society we have witnessed how quickly and steadily markets have changed over time. But while it should be evident to any contemporary observer that today's markets exhibit certain features which would have been unfathomable for any thinker of Hegel's time, namely the ones directly caused by technological innovations, it is also true that some of the key aspects of the market sphere also remained unaffected. Indeed, the central act which takes place within this sphere involves some kind of exchange of goods between sellers and buyers, and the overwhelming majority of these exchanges are performed by using money (or capital) as a medium. Moreover, although the technological and informational apparatus which underlies the functioning of the market system greatly changed, many of these transactions are still small-scale or geographically local, much like they were in Hegel's time.

Despite the preservation of some of its central features, today's market sphere also significantly departs from the one Hegel observed in his time. First, many acts of exchange in today's wide market sphere can hardly be said to allow some educational development or growth for the market participants themselves. This may be due to the combination of ever-increasing economies of scale and technological developments, which mean that today the sellers' part of the transaction is carried out mostly either 1) by wage-dependent workers whose direct engagement with the buyer arguably does not enable the kind of reciprocal learning Hegel seems to have had in mind, or 2) via technological interfaces which have effaced the presence of humanity on the other side of the transaction.

Second, it is also unclear whether steps 2 and 3 of Heisenberg's reconstruction apply to the current stage of development of the market sphere. The models which may have inspired Hegel when structuring his argumentation may have been that of the town market, in which buyers often buy directly from the artisan or local producer, and that of the national economy, which although constituting a proper system of fulfilment of needs nevertheless cannot account for the globalised scope of market interactions. How, for example, can we make sense of the large and opaque financial markets or of the complex global chains of production and logistics?

Third, it is unclear whether step 4 in the process of *Bildung* should be seen as a moment of learning or just a mere reaction to the limitations of any mode of social organization (or disorganization). In other words:

how can one attach an educational value to the market system, thereby rehearsing a justification of its existence and providing some motivation for our reconciliation with it, by noticing how deeply destructive it might become if left unattended? Additionally, does that mean that markets should be maintained in order for us to finally understand the personal and social ills they ultimately cause, and to come to terms with the necessity of erecting a well-ordered, stable society? The worry here is that one is attributing an intrinsic value worth to a sphere, in the present discussion the market sphere, by reconciling oneself with its worst features. The alternative response to this somewhat paradoxical take would consist in acknowledging that the educational worth of markets does not have to translate into the reconciliation with their actual existence: the formative value of the market sphere would then be confined to history books, in which one could see that the market sphere provided a stepping stone towards better, more perfect systems of fulfilment of needs.

But perhaps the Hegelian insights into the market system can be combined with some elements of the early Marxist critique of capitalism, as well as with Polanyi's notion of the disembedding of markets, for a renewed critique of the varieties of market system as they exist today. At first glance, Marx's diagnosis of the several kinds of alienation caused by capitalist markets (cf. *Economic and Philosophical Manuscripts*, Marx 1978, pp. 72-81) seems difficult to reconcile with the supposed educational value of markets. If anything, what we learn from entering the market sphere is that formal equality with others is either meaningless, because it does not convert into real material equality or equal economic power, or plainly ideological, because it serves to justify and legitimize a deeply unequal system of needs. Of course, from a Marxist perspective the idea that the capitalist system constitutes a "system of needs", as Hegel puts it, is highly debatable if not plainly wrong. More than satisfying needs, an economic system in which capital accumulation and the profit motive play such a central role in setting up the rules of motion of the entire economic system is more properly characterised as a "system of capital".

Furthermore, because participation in the capitalist economic system is for both workers and capitalists⁸ a source of alienation [*Entfremdung*], the idea that participating in capitalist markets could engender some form of personal and social *Bildung* could only sound plausible if the learning

8 To be fully consistent, from Marx's own standpoint one should also hold the view that the capitalist himself is also adversely affected by the process of alienation spurred by the capitalist mode of production of exchange, although to a lesser extent than the wage-labourer (Marx 1978, p. 72-81).

outcome consisted in the awakening of the alienated social classes and in the call for a struggle against the market system itself. Notwithstanding the limitations of the Hegelian analysis of the economic sphere, these corrections to Hegel's point of view need not be converted into a downright rejection of the idea that markets carry a certain educational potential with them. As I will discuss below, one viable way forward would be to investigate which possible learning outcomes are enabled by current market systems, once we treat them both as systems of needs and of capital⁹ and in addition account for the abovementioned processes of alienation.

Even if Hegel's account of the market sphere lacks some crucial elements, its strongly holistic bent might be regarded as problematic. At this juncture, however, I would argue that the work of Karl Polanyi may prove useful to unravel this complication. Like Hegel, Polanyi does not see markets as constituting autonomous, 'free-standing' systems of interaction between agents. Although Polanyi's account of the market sphere is not subordinated to a holistic description of the several spheres which enable the actualisation of freedom, it is clear that for Polanyi markets should be seen as integral parts of the wider ethical whole of the community. But unlike Hegel, Polanyi's narrower view consists in claiming that economic systems in general and market systems in particular exist insofar as they reflect wider relationships of reciprocity, functional necessity and commonality. Under this perspective, markets are embedded in the ethical relationships of a community (cf. Polanyi 2001). However, after a certain point in their path towards becoming first national and then global markets, they start corrupting the social fabric of communities, which is underpinned by the notions of sharing and reciprocity (cf. Polanyi 1979). From a Polanyian perspective, the educational role of markets could prove essential for the members of a given community to learn that the acts of market exchange, when taken beyond a certain level and without consideration of the shared ethical relationships of a community, may threaten the life of the community itself.

4. Keeping the educational impact of the market system within our purview

In light of our attempt to preserve the possibility of an educational impact of markets on our development as persons and citizens, a possible normative foundation of the market system could consist in requiring

⁹ There is no immediate contradiction in ascribing both traits to today's market systems, as far as I can see.

any market structure to fulfil an educational role. From this perspective, market systems and structures could no longer be justified merely by recalling the stupendous development of material wealth, but would have to show how they fit into a wider purpose, namely by contributing to the formation of emancipated free and equal citizens. Markets would have to permanently display their educational worth. But this formative value of markets could not be reduced, as Smith and more recently Friedman (1981) did, to learning that the market economy blindly and mysteriously combines multiple skills and talents into the production of complex goods, but to the realisation that markets are but a stage in the formation of an intermediate, and therefore insufficient, notion of equality between human beings. However, as we have discussed in the previous section, this project of a normative critique of the market system based on its educational shortcomings is perhaps only persuasive if we endorse the Hegelian analysis of the market system, both in his characterization of its essential features and of its advantages and drawbacks.

If, on the contrary, we are persuaded by the glaring inadequateness of Hegel's economic analysis¹⁰ and seek to expand it by adding the elements we sketched at the end of section 3, we are then led to the vicinity of discussions in political economy which deal with the problem of finding the right *locus* for the pursuit of feasible and desirable economic policy. If, following the discussion so far, we are to bring the educational and formative value of the market to the fore, then we should look at the levels where this role could be fulfilled: on the one hand, the local, small-scale markets,¹¹ which could be said to maintain the type of reciprocal interaction which lies at the bottom of Hegel's analysis; and, on the other hand, the economic space of the nation-state. In the wake of debates concerning the unfolding of the 2008 financial crisis, namely its effects on the economies of some European countries,¹² critics of the neo-liberal framework of the Eurozone have often stressed that the nation-state remains the only place where a certain fit between democratic integration, economic self-determination and reciprocal economic exchange subsists (Streeck 2012). Given that *Bildung* in Hegel may be said to be instrumental in the generation of fully-abled citizens ready to enjoy the several types of freedom envisioned in Hegel's

10 Cf. Priddat (1990).

11 Cf. Erik Olin Wright's reflections on the economic alternatives within capitalism (Wright 2013).

12 The Eurozone is composed of countries which share the Euro as a common currency and which therefore surrendered some instruments of political economy to the Eurozone as a whole.

Philosophy of Right, it is worthwhile considering furnishing current attempts to ground a return to the democratic control of the economy with an account of the educational and formative impact of the market system. Our almost exclusive focus on controlling the market forces is perhaps but a sign of our lack of critical engagement with it and of our inability to learn something from it.

References

- Durkheim, E. (2014), *The Division of Labour in Society*, New York: Free Press.
- Durkheim, E. (1958), *Professional Ethics and Civic Morals*. Glencoe, Illinois: The Free Press.
- Fourcade, M., & Healy, K. (2007). Moral views of market society. *Annual Review of Sociology*, 33, pp. 285-311.
- Friedman, M., & Friedman, Rose D. (1981), *Free to choose: Personal statement* (Reprint ed.). Harmondsworth: Penguin Books.
- Hegel, G. W. F. (1983), *Philosophie des Rechts: Die Mitschriften Wannemann (Heidelberg 1817/18) und Homeyer (Berlin 1818/19)*. Edited by Karl-Heinz Ilting. Stuttgart, Germany: Klett-Cotta. [VPR1]
- Hegel, G. W. F. (1983), *Philosophie des Rechts: Die Vorlesungen von 1819/20 in einer Nachschrift*. Edited by Dieter Henrich, Frankfurt am Main, Germany: Suhrkamp. [VPR2]
- Hegel, G. W. F. (1991), *Elements of the philosophy of right*. Cambridge University Press.
- Heisenberg, T. (2018), Hegel on the value of the market economy. *European Journal of Philosophy*, pp. 1-14.
- Herzog, L. (2013), *Inventing the market – Smith, Hegel, and political theory*. Oxford: Oxford University Press.
- Herzog, L., Honneth, A. (2014) (eds), *Der Wert des Marktes: ein ökonomisch-philosophischer Diskurs vom 18. Jahrhundert bis zur Gegenwart*. Suhrkamp.
- Hirschman, A. O. (1982), Rival interpretations of market society: Civilizing, destructive, or feeble? *Journal of Economic Literature*, 20(4), 1463-1484.
- Honneth, A., (2014), *Freedom's Right: The Social Foundations of Democratic Life*, New York: Columbia University Press.
- Knowles, D. (2002), *Hegel and the philosophy of right*. London, UK: Routledge.
- Marx, K., & Engels, F. (1978), *The Marx-Engels Reader*, ed. Robert Tucker. New York: WW Norton & Company.
- Neuhouser, F. (2000), *Foundations of Hegel's social philosophy. Actualizing freedom*. Cambridge, MA / London, UK: Harvard University Press.

- Peperzak, A. (2001), *Modern freedom. Hegel's legal, moral and political philosophy*. Dordrech, NL: Springer.
- Polanyi, K. (1979), 'Aristoteles entdeckt die Volkswirtschaft', in *Ökonomie und Gesellschaft*, Frankfurt/M.: Suhrkamp, pp. 149-184.
- Polanyi, K. (2001), *The Great Transformation: The political and economic origins of our time*. Boston: Beacon Press.
- Priddat, B. (1990), *Hegel als Ökonom*. Berlin: Duncker & Humblot.
- Ricardo, D. (2015), *On the Principles of Political Economy, and Taxation*, Cambridge: Cambridge University Press.
- Smith, A. (1976), *An inquiry into the nature and causes of the wealth of nations*. Chicago: Univ. of Chicago Press.
- Smith, A., Haakonssen, K., Ameriks, K., & Clarke, D. (2002), *The Theory of Moral Sentiments*. Cambridge: Cambridge University Press.
- Streeck, W. (2012), Markets and People: Democratic capitalism and European Integration. *New Left Review*, 73, pp. 63-71.
- Wood, A. (1990), *Hegel's ethical thought*. Cambridge, UK: Cambridge University Press.
- Wright, E. O. (2013), Transforming capitalism through real utopias. *American Sociological Review*, vol. 78, pp. 1-25.

ABSTRACT

Hegel is sometimes regarded as a defender of the market system. Recently, Heisenberg (2018) argued that the prevailing view of Hegel is incomplete, as it overlooks a fundamental advantage of the market: its educational role. In his reading, the Hegelian defence of the market system includes seeing the market as the sphere where persons learn both to regard others as individuals with equal standing and equally relevant desires and to see the well-ordered civil society as the space where all social members can find protection and fulfil their needs. I argue that this focus, while inadequate as a sole ground for a critique of today's market systems, can potentially bring forward new normative critiques of the market. These in turn require departing from Hegel's baseline assumptions regarding the market sphere and applying this analysis to the *locus* where the educational impact of markets arguably subsists: the local or national levels.

Keywords: Hegel – *Bildung* – Education – Markets – Value of Markets

RESUMO

Hegel é por vezes tido como um apologista dos mercados. Recentemente, Heisenberg argumentou que a interpretação mais comum da posição de Hegel é, ainda, incompleta, pois ignora uma vantagem fundamental dos mercados: o seu papel educacional. Segundo esta leitura, a defesa hegeliana do sistema de mercado inclui conceber o mercado enquanto esfera na qual as pessoas aprendem tanto a encarar os outros enquanto iguais como também enquanto indivíduos detentores de desejos igualmente relevantes. Na esfera do mercado, as pessoas aprendem também a ver na sociedade civil bem ordenada o espaço no qual todos os membros da sociedade encontram protecção adequada e satisfazem as suas necessidades. Neste artigo, argumento que este foco, embora por si só incapaz de fornecer um ponto de partida para a crítica dos sistemas de mercado actuais, pode contudo permitir uma nova crítica normativa dos mercados. Para tal, no entanto, é necessário rejeitar algumas das premissas iniciais de Hegel em relação à esfera do mercado, bem como aplicar este tipo de análise ao *locus* no qual o impacto educacional dos mercados ainda se pode observar: nos níveis local e nacional.

Palavras-chave: Hegel – *Bildung* – Educação – Mercados – Valor dos Mercados