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## **Hegel's political and social theory: Ethical life (*Sittlichkeit*) as a historical-institutional context of human development**

### **Abstract**

This paper suggests that Hegel's concept of *Sittlichkeit* (ethical life) provides an elementary way of understanding the relationship between individual development and the cultural and political environment. In contrast to many other concepts of context, it is able to integrate the moral, social, political, economic, and legal conditions of human development within one framework. Individual development is analyzed in terms of how freedom, *Bildung* (self-development), and recognition are realized in the institutions of ethical life. As a theory of the historical development of the institutional conditions of human freedom, Hegel's political philosophy provides a normative foundation for emancipatory activities. Hegel's political theory challenges sociocultural and cultural-historical psychologies to expand developmental interventions into communities and social movements for the reconstruction of institutions.

**Keywords:** Context of human development, Hegel, *Sittlichkeit* (ethical life), institutions, freedom, *Bildung* (self-development), recognition, civil society, state.

### **Introduction**

In contrast to the mainstream constructivist and cognitive psychologies, sociocultural and cultural-historical approaches regard the dynamic interaction between individual mind and its cultural context as the proper object of psychological research. This object has been further specified by defining supraindividual units of analysis and by specifying the mechanisms of co-evolution of the individual and the culture. Different terms have been suggested to specify a unit of analysis. They include, among others, environment, situation, everyday event, sociocultural setting, context of human practices, activity system, and networks of activity systems (e.g, Cole, 1996, p. 123; Nardi, 2004).

James Wertsch (1995, p. 56) has defined the sociocultural research as "the study between human mental functioning, on the one hand, and cultural, historical and institutional setting, on the other." Jan Valsiner (1998, p. 252) makes a distinction between organism (person) and its environment, while maintaining their dynamic interdependence. The two-way causal relationship between the two includes cycles of internalization of the forms of culture and externalization of thought and

action into artifacts that may transform the cultural tradition. Anna Stetsenko (2017, p. 127) suggests that, according to a relational, activity-based approach, human beings are “coactively constructing their own development with the world,” and that they are “critically reliant on interactions with others, mediation by cultural tools, and access to social resources.” Consequently, society provides conditions for, or, alternatively, deprives individuals of access to participation in social practices and the resources necessary for their development.

Both sociologists and psychologists have found limitations in the ways sociocultural psychology analyzes the individual-environment relationship. Margaret Archer (1995) thinks that since many socioculturalists have focused on the microsociological aspects of situated practices, they have difficulties in making sense of long-term development of human activities. Keith Sawyer finds that socioculturalists do not have an adequate theory of social structure and how it constrains and enables individual development (2002, p. 301): “They neglect macrosocial concern in favor of a focus on individual action and small group behavior. Socioculturalists have rarely drawn substantively on sociology or political theory.”

The main goal of Hegel’s political philosophy is to reconcile the individual with his or her political community in a way that overcomes the alienation of the modern world (Luther 2009). Hegel introduced the concept *Sittlichkeit* (ethical life) to refer to and define the historically developed social and political environment in which the moral and intellectual development of an individual takes place. Ethical life comprises three institutional spheres, *family*, *civil society*, and *the state*. Hegel analyzed human development in this social world in terms of *freedom*, *Bildung* (self-formation), and *recognition*.

In this paper, I suggest that Hegel’s social and political theory can contribute to sociocultural and cultural-historical psychologies in three ways. First, it contributes to deepening the context of individual development by clarifying its institutional and political nature. The characterization of the context of human development and self in terms of world, environment, culture, social-material collaborative practices, or even in terms of community, tends to exclude the institutional and political nature of social reality. In Hegel’s theory, individuality and moral agency are achieved through participation in the institutions of civil society and state. In sociocultural tradition, culture is mostly understood in terms of shared linguistic meanings, tools, artifacts, and cultural resources

essential for individual cognitive development. Hegel's social theory underlines the normative and deontological dimension of human life-world: communities establish tacit and explicit norms that regulate the behavior of their members and the interaction between them. Norms, ethical principles, and rules are objectified in laws, institutions, habits, and ways of acting. Institutions are historical and political formations that deeply influence the possibilities for individual development.

Second, Hegel's concept of freedom provides normative criteria for emancipatory social transformations. It is hardly possible to derive the political direction or the criteria for social transformation from the concept of activity, understood as co-construction of self and world. Hegel's analysis of poverty caused by the market economy convincingly shows that individual freedom and development are conditioned by social and economic structures. Hegel's concept of social freedom suggests that an individual moral agency alone is not a sufficient basis for emancipatory transformations of society. They need to be embodied in social institutions, which require political activity and coalitions of social groups and movements. For the envisioning of transformative changes, analyses of contradictions within contemporary society are needed.

Third, Hegel's political theory challenges us to reflect on the role of the state and of social movements in the transformation of contemporary capitalism. Hegel regards the constitutional state as a historical achievement, and as a foundation of a new kind of interdependency between individuals as citizens with equal rights and duties. He also suggests that the state is needed to regulate the contradictions within the market economy and civil society. However, critics (e.g. Dewey, 1916/1985) have found institutional idealism to be a weakness of Hegel's theory, that is, the belief that a reconciliation between individual freedom and the institutions of civil society and the state can be achieved. Hegel's view does not properly take into account the power relations embedded in social institutions nor the social antagonisms caused by the capital accumulation. Marx criticized Hegel's political theory for mystifying the state by regarding it as an actualization of freedom. By contrast, Marx regarded the state as an instrument of the ruling class. It is therefore evident that Hegel's political theory needs to be complemented with an analysis of contemporary capitalism. In the last few decades, institutional political economists have tried to accomplish such an analysis. Some of them have also offered interpretations of the contradictions of modern capitalism resorting to Karl Polanyi's theory of the market society. The purpose of this paper is to examine this theorizing.

I start by introducing Hegel's concepts of freedom and ethical life. Then I discuss two central issues in Hegel's theory of civil society: the problem of poverty, and the democratic and emancipatory potential of corporations and associations of civil society. I review some accounts of the recent development of capitalism presented by institutional economists. Since they use concepts from Karl Polanyi's theory, I will briefly introduce its basic ideas. I then outline three types of institutional reconstructions that have been suggested to solve economic, ecological, and social dilemmas of contemporary capitalism. In the conclusion I reflect on the relevance of Hegel's political theory for sociocultural and cultural-historical psychologies.

### **Ethical life (*Sittlichkeit*) as realization of individual and social freedom**

The representatives of analytic philosophy in the 20<sup>th</sup> century regarded Hegel's philosophy as absolute idealism. The universe is understood as an expression of Spirit (*Geist*), which was understood as a kind of quasi-divine spiritual substance. In the eyes of many critics, this made Hegel's philosophy both antirealist and obscure. According to new interpretations, Hegel's spirit (*Weltgeist*) can be understood as human activity or the history of the human race, which can be known only by its actions. "*Geist*, for Hegel, has no pre-existing essence, it is known only by what it has actually done thus far, nor does it have a predetermined end" (Good, 2013, p. 8). Hegel's *Phenomenology of Spirit* (1977[1807]) can be interpreted as an account of the development of spirit in Western history from Greek antiquity to the French revolution. According to Hegel, spirit expresses itself in three complementary forms: as subjective, objective, and absolute spirit (e.g., Paperzak, 2001). Subjective spirit is tied to the mental consciousness and will of individuals. Objective spirit refers to society and its institutions that are independent of individual consciousness, but are objectified outcomes of human will and activity. Absolute spirit refers to art, science, and philosophy, which are also culturally objectified forms of human thought and activity. The objective and absolute spirits only exist through individual consciousness, but their development cannot be reduced to it.

In *Philosophy of Right* (2010), Hegel developed a concept of ethical life (*Sittlichkeit*) composed of three interacting spheres of society: family, civil society, and the state. Ethical life is "the concept of freedom that has acquired a real existence in the world and in the consciousness of its members" (Hegel, 2010, p. 88). It is an outline for a rational political order that allows for the realization of

individual freedom. Hegel's concept of freedom differs from the way freedom is understood in mainstream liberal political theories. He made a distinction between three forms of freedom: personal, moral, and social (Neuhouser, 2000). Personal freedom means that an individual is free to do whatever she wants without the intervention of others, on the condition that she does not violate the rights of others. This freedom corresponds roughly to the negative freedom characteristic of liberal political theory and is particularly concerned with the right of ownership. Moral freedom refers to how an individual behaves in relation to others, based on what she finds to be good: for example, she follows the categorical imperative formulated by Immanuel Kant (1724-1804) which requires an individual to treat others in a way she hopes can become a general rule. Or she may follow the golden rule defined by the Bible.<sup>1</sup> Hegel thought that these kinds of general moral maxims are unable to steer the actions of individuals in particular situations.

Hegel calls the third form of freedom social or concrete freedom. It is realized through participation in social institutions and through a contribution to the common good. The social freedom has two sides. The objective side is manifest in the normative foundations objectified or embodied in institutions: rights and duties of citizens defined in a constitution, ethical codes of professional communities, or a universal and free-of-charge education system. The embodiment has been achieved through political struggles and the realization of the norms is constantly contested. After the declaration of universal human rights in 1791, it took more than a century of struggles before universal suffrage was realized after World War I in the constitutions of Western states. Human rights are constantly violated. Commercialization challenges professional norms and privatization reduces equal opportunities to education. The rapidly increasing costs of higher education in the last decades (up by 827% in the United States since 1980) have made higher education a class privilege in the US and elsewhere (Kunkel, 2014).

The subjective side of social freedom means that an individual has a conscious, reflective relationship to these embodied principles, accepts them as their own and becomes committed to following them and developing them further. Pippin (2001, p. 1) points out that, for Hegel, "freedom consists in participation in various *historically actual*...institutions." According to Robert Brandom

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<sup>1</sup> "Everything you hope people to do for you, do it to them" (Matthew 7:12; NMV).

(2007, p. 127), “to be a self...is to be the subject of normative statuses that refer to commitments; it means to be able to take a normative stance to things, to commit oneself and undertake responsibilities.” An individual encounters norms of participation in social institutions as a member of a family, as a professional, as a member of an association, and as a citizen. Through the participation in these roles and tasks, she reflectively internalizes these norms to be able to collaborate with others.

Hegel criticized the methodological atomism of liberal political theory, according to which the interests of individuals as such are final ends of political association, which is thought to be established by a social contract (Neuhouser, 2000, p. 176). Rousseau found that the perfect independence of an individual makes it impossible not only for conjugal love, but also for language, reason, virtue, and subjectivity itself. Hegel thought that the rational social order and its common good is both higher than, and irreducible to, the good of its individual members (Neuhouser, 2000, p. 213). It has a spiritual dimension, overcoming individual morality in contributing to a more enduring existence and the future of mankind.

### **Institutional spheres of ethical life**

To become free, an intellectually autonomous individual, to use Kant’s famous definition (2018[1784]), needs the ability to use one's own understanding without the guidance of another. Such autonomous reasoning is acquired through the process of *Bildung*, in which an individual gradually becomes a member of the ethical life and is able to evaluate norms embodied in its institutions. *Bildung* is elevation to universality (Hegel, 2010, p. 103): “Individuals can attain their ends only insofar as they themselves determine their knowing, willing and acting in a universal way and make themselves links in the chain of social connections.” This process of development is realized in the three institutional spheres of ethical life.

In a family, the recognition assumes the form of unconditional love that is immediate and individual. Civil society is an economic sphere which Hegel characterized as a system of needs. Individuals become universally interdependent through the division of labor, the market, and the distribution of commodities. Needs are satisfied through production and consumption which constantly generate new needs and desires. Civil society is a sphere of particularity, in which personal freedom

is achieved and individual interests are satisfied. Individuals encounter each other as burghers in instrumental relationships, in “reciprocal production and exchange” with “their own interests as their end” (Hegel, 2010, p. 102). Hegel’s civil society is contradictory. The division of labor and the market are engines of technical development and affluence. On the other hand, civil society necessarily gives birth to inequality, and to the division into wealth and poverty.

The state is the sphere of universality in which the common good is articulated through legislation and political decision-making (Smith, 1989, p. 233). The rights and duties of citizens became objectified in constitutions. A political constitution therefore provides a form of interdependency of individuals as citizens different from instrumental relationships (Buck-Morss, 2009, p. 9). The strength of the state (Hegel, 2010, p. 129) lies “in the unity of its universal end and aim with the particular interest of individuals, in the facts that the individuals have duties to the state in proportion as they have rights against it.” According to Pinkard (2000, p. 487), Hegel does not say that the state ought to prescribe some singular way of life or set of virtues that would be common to all. Hegel thought that citizens need to suggest and require changes in the institutional order, including state activities, if they find them to be in contradiction with their understanding of universal good and the welfare of all.

Hegel’s concept of the state is in contradiction with the concepts of the state of the neoliberal, postmodern, and critical approaches. They mostly find the state either as a shackle of the functioning of the market or a bureaucratic mechanism of governance that limits individual freedom and initiative.<sup>2</sup> These views differ radically from the Hegelian concept of the state and how it is understood. For instance, the Nordic welfare states provide universal public services such as education, health care, and a library system to advance equality. Vermeulen and Graf (2012) point out that the neoliberal and critical positions tend to obscure the long and ambivalent history of the state as an agent of liberty and equality. They think that we need to see the Janus-faced dimensions of the state both as a massive disciplinary power and the provider of domestic welfare. “The state,

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<sup>2</sup> Philosopher Slavoj Žižek (2017, p. 58) characterizes the conception of the state from the perspective of the religious right in the US in the following way: “In the eyes of the evangelist populists of America the state is a foreign power and (like the United Nations) a servant of AntiChrist. It deprives freedom from a believer, detaches her from the moral responsibility of taking care of her own economy and in this way gives away the individual morality, according to which everybody is the blacksmith of her own happiness.”



instead of being a mere repository of legitimate violence, also encompasses the daily functioning of the institutions that educate the young, protect the old, or step in when status of temporarily able-bodied is suddenly withdrawn” (p. 248).

### **An unresolved contradiction of the market economy: poverty as structural exclusion**

Hegel regarded private property as a necessary condition of freedom and subjectivity. He adopted from the political economists, especially from Adam Smith, the view that the market constitutes the economic foundation of civil society. In this view, the division of labor and specialization assures the constant development of technology and economy. Individual needs and interests are satisfied through the exchange of goods. At the same time, Hegel (2010, p. 120) found that the division into rich and poor is an endemic contradiction of the market economy.

When the standard of living of a large mass of people falls below a certain subsistence level – a level regulated automatically as the one necessary for a member of the society – and when there are as a consequent loss of sense of right and wrong, of honesty and self-respect which makes a man insist on maintaining himself by his own work and effort, the result is the creation of a rabble of paupers. At the same time this brings with it, at the other end of the social scale, conditions which greatly facilitate the concentration of disproportionate wealth in a few hands.

The division into rich and poor is a major problem for civil society because (Pinkard, 2000, p. 486): “At both ends of the spectrum of wealth, individuals lose their sense of obligation to the ‘whole’ – the poor because they don’t have any stake in it, the rich because they tend to think they can buy themselves out of its obligations.” For Hegel, poverty as a state exists in relation to the prevailing form of life and consumption of the majority of its citizens (2010, p. 119):

The poor still have the needs common to civil society, and yet society has withdrawn them from the natural means of acquisition and broken the bond of family – in the wider sense of the clan – their poverty leaves them more or less deprived of all advantages of society, of the opportunity of acquiring skill or education of any kind, as well as of the administration of justice, the public health services, and often even of the consolations of religion, and so forth.

Pereira di Salvo (2015, p. 110) finds that poverty is problematic for Hegel because those who are subject to the condition of poverty are rendered incapable of realizing their personality. He thinks it might be called “a condition of socially frustrated personality.” Poverty, for Hegel, is not only

identified with a lack of property, but also with the exclusion from membership in society and from the enjoyment of its social freedoms (Ioannidou, 2014, p. 59) and “a problem of substantive unfreedom and structural exclusion” (Allen, 2006, p. 502).

Hegel did not find any satisfactory solution to this problem. Direct financial support would be against the principle of civil society (2010, p. 120): “The needy would need subsistence directly, not by means of their work, and this would violate the principle of civil society and the feeling of independence and self-respect in its individual members.” Charity would not work either, because it is dependent on contingency. Nor would public works be a solution. The only feasible way Hegel was able to find was immigration, to which colonialism opened a possibility. He finally concluded that (2010, p. 119) society must struggle to make these measures less necessary “by discovering the general causes of penury and the general means of its relief and by organizing relief accordingly.” Avineri (1972, p. 101) suggests that Hegel was one of the first to propose “something which has, despite all the differences in terminology, many of the characteristics of the modern welfare state.” Hegel mentions taxation as the great equalizer and instrument for income redistribution. He also referred to the need for public education.

### **Corporations, civil society associations, and democracy**

From political economists, Hegel adopted the view that property rights are a condition of personal freedom and need to be recognized in the constitution and defended by the state (police and judiciary). But the division of labor also provides possibilities for the development of freedom through civic education, *Bildung*, and by uniting particular and universal interests. Because of the division of labor, the population is divided into estates (*Stände*). The *Bildung*, self-formation takes place through becoming a member of an estate and a profession with the corresponding “system of specific theoretical and practical *Bildung*” through which an individual contributes to the common good of the social whole (Hegel, 2010, p. 108):

A man actualizes himself only in becoming something definite, i.e. something specifically particularized; this means restricting himself exclusively to one of the particular spheres of needs. In this class-system, the ethical frame of mind therefore is rectitude and esprit de corps, i.e. the disposition to make oneself a member of one of the moments of civil society by one’s own act, through one’s energy, industry and skill, to maintain oneself in this position,

and to fend for oneself only through this process of mediating oneself with the universal, while in this way gaining recognition both in one's own eyes and in the eyes of others.

In the *Philosophy of Right*, Hegel examines the civilizing and political tasks of corporations (2010, p. 122-124). Through membership in a corporation, an individual develops a professional identity and the "honor of estate." She becomes recognized by the members of the association, by the clients, and by the citizens (Hegel, 2010, p. 122): "It is also recognized that he belongs to a whole which is itself an organ of the entire society, and that he is actively concerned in promoting the comparatively disinterested end of this whole. Thus, he commands the respect due to one in his social position." Corporations provide standards for professional skills and capabilities and educate their members. They represent the interests of the corporation's members in relation to the state. Hegel summarizes the nature of a corporation by stating that (2010, p. 122) "In short, its right is to come on the scene like a second family for the members" and (ibid., p. 123) that "as the family is the first, so the corporation is the second ethical root of the state." Hegel anticipates Émile Durkheim's theory (1984) of the division of labor as the major source of social solidarity. In a particular occupation, an individual shares norms and goals with the community members. Through the understanding of the aim of the occupation in society, she finds her place and identity as a part of the social whole and as a contributor to the common good.

Since Hegel's time, the types and functions of civil society associations have exploded. To take an example from Finland, voluntary social service associations cover 11% of the services of the social and health care sectors. A recent study (Särkelä, 2016) analyzed the civilizing functions of these associations. They organize peer-group support, mobilize volunteers, educate, defend the rights of the groups of the people they represent, look for holes in service systems, and initiate new services to cover them. In this way, they contribute to the public good and the viability of civil society. Hegel's idea of a civil society association has been used to substantiate theories of associational democracy. They find that the crisis of representative democracy was at least partly solved by allowing citizens to participate in solving the social problems through intermediary institutions (Fung 2003). This concept has much in common with Dewey's conception of democracy outlined in the *Public and its problems* (1998[1926], pp. 328 and 329):

A good citizen finds his conduct as a member of a political group enriching and enriched by his participation in family life, industry, scientific and artistic associations. (...) Liberty is that secure release and fulfillment of personal potentialities which take place only in rich and manifold association with others: the power to be an individualized self making a distinctive contribution and enjoying in its own way the fruits of association.

An important development in civil society in the 20<sup>th</sup> century has been the emergence of global associations. Human Rights Watch and Amnesty International inquire and report about violations of human rights. Greenpeace and Friends of the Earth defend nature against economic exploitation. Another recent development is the emergence of the “without borders” organizations. In Finland, for example, there are “without borders” organizations of medical doctors, psychologists, journalists, teachers, engineers, architects, and historians. These associations defend the well-being and rights of all people irrespective of the national borders, especially people whose rights and well-being are endangered because of war, natural disasters, and dictatorial governments. Doctors Without Borders (*Médecins Sans Frontières*) wants to ensure “accessibility to medical care across national boundaries and irrespective of race, religion, creed or political affiliation.” In Hegelian terms, in these organizations the unity of the individual, the particular, and the universal is realized. Professionals become personally committed to the universal values of the organizations and function as volunteers in different parts of the globe, utilizing their particular professional expertise.

Transnational non-governmental organizations are increasingly collaborating in non-hierarchical transnational networks in various campaigns. For example, Rainforest Action Network (<https://www.ran.org>) takes action against the companies and industries driving deforestation and, through it, climate change. One of its campaigns resists the conversion of rainforests into palm oil or pulpwood plantations in Indonesia. Several European and American NGOs collaborate with the Indonesian NGOs in the campaign (<http://www.siemempuu.or.en/programme/Indonesia>). *Siemempuu Foundation*, in Finland, provides funding for Indonesian organizations, Wetlands International provides ecological expertise, Bank Watch, in Holland, inquires into the investment plans of the Indonesian palm oil and pulp companies, and an American-based Rainforest Action Network puts pressure on the companies. In Indonesia, the partner is Jikalauhari Network of Forest Protection ([jikalauhari.or.id](http://jikalauhari.or.id)), a network of 15 organizations from the Riau province that defend the welfare of local communities, their right to cultivate, and land use. A central means of the campaign

has been to influence governmental decisions on granting rights to companies to use state-owned land.

Can a “transnational civil society” contribute to the formation of a new, alternative institutionalization of global governance (e.g., Evans, 2008)? In Hegel’s theory, civil society developed simultaneously with the emergence of the constitutional state and continues to exist as a key condition of the vitality of civil society. Following this logic, any alternative global government requires the strong global civil society that cherishes the values of universality and demands changes of the global institutional order.

### **Politics in contemporary capitalism and Polanyi’s theory of the market society**

Marx never attempted to set out a comprehensive and systematic theory of the state. Instead he commented on this issue throughout his various writings (Miliband, 1965; Rockmore, 2002). One of them is the critique of Hegel’s *Philosophy of Right* written in 1843 and early 1844 (Marx, 1970). In this early writing, Marx’s criticism focused on Hegel’s understanding of civil society and his concept of private property. Hegel regarded private property as a basic right and a condition of individual freedom. He subordinated it to ethical life and the universality realized through civil society associations and the state. Marx instead found that everything in society is subordinated to private property and the political economy. Following the position of Feuerbach, Marx found that Hegel, in regarding the state as a realization of freedom, mystified the state, made it a surrogate of God, a heavenly community, a kingdom of human harmony. In reality, “through property civil society determines the state and not conversely” (Rockmore, 2002, p. 165).

In discussing the conditions of freedom and in criticizing Hegel, Marx regarded the organization and control of economic production as the most important question, since human flourishing is not possible in alienated work. Marx found it necessary to untie the economic production from its link to the augmentation of surplus value. This would allow the conversion of production into production for human beings. Marx expressed this in *Theories of Surplus Value* (quoted by Rockmore 2019, 70) “Production for its own sake means nothing but the development of human productive forces, in other words the development of richness of human nature as an end itself.”

In spite of its theoretical limitations, Karl Polanyi's theory of market capitalism (1944) seems to provide a fresh heuristic for making sense of the development of post-Second World War capitalism, and especially the breakthrough of neoliberalism (e.g., Clark, 2014; Hodgson, 2017). According to Polanyi (2001, p. 71) a market economy is an economic system controlled, regulated, and directed by market prices. In such an economy, policies and measures are chosen in order to ensure the self-regulation of the market "by creating conditions which make the market the only organizing power in the economic sphere" (ibid., p. 72). Polanyi (2001, p. 75) defines commodities as objects produced for sale in the market. According to this definition, the essential elements of industry, labor, land, and money are not commodities. They remain fictitious commodities. Their submission to the market leads to disastrous outcomes (Polanyi, 2001, p. 76). A sociopolitical order based on the dominance of the self-regulating market is incapable of protecting society and nature and is also incapable of protecting capital from the potential chaos of its own markets. Another part of Polanyi's theory is the double movement of development of the market economy: the tendency of the economic elites to extend the market mechanism to ever newer spheres of society (commodification), and on the other hand, a corrective movement, in which the state controls the market and takes measures to develop the institutions of social protection (decommodification).<sup>3</sup> Polanyi's framework has been used to make sense of the development of post-Second World War economic and social development. The emergence of the Keynesian welfare state after the war can be interpreted as a "corrective move." On the other hand, the development often characterized as a breakthrough of neoliberalism in the 1970s, with a strong belief in the superiority of the free market, can be regarded as a commodification move. Furthermore, the basic premise of Polanyi, according to which the market cannot protect labor and deal with the problem of poverty (increasing differences of incomes), protect the environment (climate change and ecological crisis), or regulate itself (crisis of the financial market in 2008) seems credible. Even many of the neoclassical economists think that the financial market is unable to regulate itself and therefore global governmental institutions are needed (e.g., Stiglitz, 2002; Rodrik, 2011). For instance, Dani Rodrik (2011, p. 237) starts his outline for "capitalism 3.0" by saying that "the idea that the market

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<sup>3</sup> Marx would not have accepted Polanyi's theory. He regarded the market as an institution derived from the form of production. The market prevails until private ownership of the means of production has been abolished. Axel Honneth (2017, p. 67) notes that Polanyi's work has inspired analysis of various markets according to the respective goods exchanged there. It also has called into question the current capitalist forms of markets (ibid., p. 69): "Why should the financial markets allow speculative profits on derivatives trading, if it clearly does not benefit the real economy and does nothing for the well-being of society?"

is self-regulating received a mortal blow in the recent financial crisis and should be buried once and for all.”

Evans (2008, p. 287) suggests that “Polanyi’s perspective on movements for social protection is more attractive than the traditional Marxist frameworks that privilege the role of the unitary historical subject defined in economic terms. In the Polanyian scheme, different constituencies and social movements react against the different effects of the market. Human rights, welfare, developmental, feminist, and environmental organizations can together form alliances for a corrective movement. Polanyi (2001, pp. 161 and 162) characterizes the bases of the resistance as follows:

They [monetary interests] affect the individuals in innumerable ways as neighbors, professional persons, consumers, pedestrians, commuters, sportsmen, hikers, gardeners, patients, mothers, or lover – and are accordingly capable of representation by almost any type of territorial or functional association such as churches, townships, fraternal lodges, clubs, trade unions, or, most commonly, political parties based on broad principles of adherence.

The idea of the double movement implies a kind of optimism: a corrective movement is possible and is something that is expected to take place. It is an open question, however, whether the corrective political measures can turn into steps towards a non-profit democratic economy, or to use Polanyi’s terms, the abolition of labor, land, and money as commodities to be bought and sold in the market.

### **Varieties of capitalism and the struggle for institutions**

Institutional political economy (Thelen, 1999; Miller, 2005; Amable, 2009) analyzes the differences of capitalist societies and their change. The institutionalists think there is not and will not be one model of capitalism. For example, the Scandinavian social democratic welfare states are very different from the USA, Russia, Germany, or Brazil. Their institutional structures, such as labor markets, business systems, social policy, educational systems, tax policies, and provision of public services differ and evolve in different ways and need to be analyzed and compared (Morgan & al., 2010). In the following, I will briefly present how three distinguished institutionalists, Gösta Esping-Andersen (2009), Kathleen Thelen (2014), and Wolfgang Streeck (2014) discuss the development of

capitalist economies in the recent decades. They elaborate and concretize aspects of Polanyi's theory.

Gösta Esping-Andersen (1986) presented a classical distinction between social-democratic, conservative, and liberal types of welfare states. In drawing the distinction, he used the concept of decommodification to characterize the Nordic welfare-state model. Labor is protected from contingencies of the market by social security systems and universal public services provided by the state. Subsequently, in his suggestion for a child-centered social investment state for Europe, Esping-Andersen (2009) regards family policy and high-quality early childhood education as a strategic institution to be developed. Early childhood education mitigates the differences in learning, develops the capacity for school-attendance in children, and prevents poverty by helping single mothers to be employed.

A framework that distinguishes between forms of capitalism (Hall & Soscise, 2001) makes a distinction between liberal and controlled forms of capitalism. Thelen (2014) compares the ways in which the United States, Germany, the Netherlands, Denmark, and Sweden have met the political pressure for liberalization and flexibilization. She concludes that the diverging institutional arrangements characteristic of the two models of capitalism are relatively robust and resilient. They have deep historical roots and have been forged out of specific cross-class coalitions. She identifies three different ideal-typical trajectories of response: deregulation (USA), dualization (Germany), and socially embedded flexibilization (Netherlands, Denmark, Sweden). Denmark is an example of the last one: the flexibility of the labor market is combined with an extensive state supported re-training system and provision of occupational services. Thelen concludes (2014, pp. 174 and 199):

Where labour markets are more flexible, state policy is crucial for underwriting re-training opportunities throughout the life course. (...) Education and training thus occupy a very central role in the new politics of social solidarity, and as we have seen, this is precisely an area in which it seems possible to find common ground across groups that are otherwise very differently situated in the labour market.<sup>4</sup>

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<sup>4</sup> Olof Palme, who served as the minister of education before becoming prime minister in Sweden in 1969, considered the school system to be "the key to the abolition of the class society" (Thelen 2014, p. 174).



Thelen points out that the political and class coalitions that made “the golden era of postwar capitalist development” possible are not able to secure the continuity of its achievements. The durability of reform depends heavily on the extent to which new policies upset inherited coalitional patterns and political alliances (Thelen, 2014, p. 198): “Salaried groups, especially professionals and semi-professionals, are not necessarily against the welfare state and they often favor universalism. However, they tend to embrace a different version of universalism, one that emphasizes individual development, internationalization, gender equality, and meritocracy.”

In his essay *“Institutions In history: Bringing capitalism back in”* (2010) Wolfgang Streeck looks for theoretical foundations for a historical institutional political economy. When history is brought in, a substantive theory of capitalism is needed. Streeck analyzes the recent development of capitalism using Polanyi’s theory (2010, p. 678) “Capitalist development as a process of expansion of the market relations...as more and more social spheres and an increasing range of ‘necessities of life’ become commodified.”<sup>5</sup> In his essay *How will capitalism end?* (2014, p. 41), Streeck defines the postwar Keynesianism as democratic capitalism, which was based “on the premise that states had a capacity to intervene in the market and to correct their outcomes in the interest of citizens.” This possibility has been limited by the “liberalization” or what Streeck calls neoliberal Hayekianism. Streeck finds that the consequences of commodification are so severe and all-embracing that we can speak about an “interregnum,” or “crisis,” of capitalism.

At least three kinds of emancipatory institutional transformations to enhance human development have been suggested during the last decades. First are those that control the effects of capital accumulation, which undeniably have deepened the division between the rich and poor. This division, as suggested by Hegel, decreases freedom, increases structural exclusion, and deprives resources for development to an increasingly large number of people. Among the reforms suggested are higher taxing of capital incomes (Piketty, 2014), higher taxing of financial transactions (e.g., the Tobin tax), and a money and bank reform in which the right to create money is given to public authority and money transfers are separated from risk investments (e.g., <http://positivemoney.org/>). An even more radical suggestion is a change of the legal status of the business enterprise, that would eliminate capital incomes: the property is owned by the company

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<sup>5</sup> Streeck states (2010, p. 660) that in contrast to orthodox Marxism, institutional political economists “emphasize the capacity of the social institutions into which modern capitalism is organized – including the state – to modify and even suspend the alleged ‘laws of motion’ of the capitalist accumulation regime.”

– not by the investors – and the profits are used for the long-term development of the company (Vagenknecht, 2018). The last two institutional reconstructions may provide steps towards a non-profit democratic economy. The second group of institutional changes is related to climate change and ecological crisis, such as the taxation of consumption that causes carbon dioxide emissions (e.g. Jackson, 2009). The third type of institutional reconstructions are related to enabling services such as education, library systems, health care, and cultural institutions that directly contribute to the equal opportunity of individual development. One of the institutional achievements of post-World War II welfare capitalism worth developing further is a public, universal, free-of-charge educational system inspired by an ethos of equality (Miettinen, 2013).

## **Conclusions**

What are the implications of Hegel's political and social theory to the Vygotskian tradition and cultural-historical psychology? First, his concept of social freedom reminds us that the social context of human development is political, composed of human-created institutions that need to be reconstructed to advance human freedom and development. It reminds us that the idea of transformative activity without normative criteria and direction is an abstraction and that emancipation can only take place through the reconstruction of the actually-existing institutions. Axel Honneth (2017) has followed Hegel and Dewey (1988[1926]) in suggesting that the normative reconstruction of institutions need to be realized through experimentation, because we are not able to have any predetermined vision or fixed ideal of the future social order. This view can contribute to the developmental and interventionist approaches of activity theorists. They have played a role in initiating and supporting institutional experiments, in making the results visible, and in interpreting them theoretically to make their dissemination and further development possible (Blackler & Regan, 2006, Engeström, 2018). The challenge is how to transform these achievements into political goals for institutional reforms and how to expand the interventions and experiments into associations, political movements, and communities of inquiry for institutional reconstructions. Alternatively, researchers can contribute to the turning of the initiatives of the progressive practitioners and social movements into political goals for institutional reforms (e.g., Hirose & Mori, 2019).

Second, according to Hegel, *Bildung* and the realization of freedom take place in various institutions of society, the most important of which is labor. Hegel's theory of professional and other societal corporations provides normative criteria for developing professional and other communities. They need to be considered normative communities that are able to provide professional norms and values. They need to contribute to the good of the social whole, to allow and support development of skills and abilities, and to provide recognition of peers and citizens to their members. In doing this, they contribute to the *Bildung* of an individual, that is, to the formation of her self-esteem and practical moral agency. Although Hegel underlined the significance of school education for *Bildung*, his institutional framework reminds us that the quality of pedagogical interaction within school is not sufficient. The way the school system is constituted is critical. Finally, Hegel's theory reminds us that participation in social movements is an essential mechanism of *Bildung* and moral self-formation. Today, this view is evidenced by the climate change strikes of European school children. The study of these movements and their significance for individual development is a challenge for the cultural-historical tradition.

The Vygotskian tradition and cultural-historical psychology have a deep understanding of the social conditions of individual development. Its practitioners have, therefore, much to contribute to the formulation of political demands related to reconstruction of the enabling services in society. For example, the strengthening of the institutions of early childhood education is an internationally accepted political goal to prevent exclusion and to develop children's well-being and readiness for school attendance. The Vygotsky-based cultural-historical concepts of early childhood development, play and play pedagogy (e.g. Vygotsky, 2016) provide both moral and practical alternatives to the internationally dominant attempts to extend the forms of school going and competition to early childhood education (e.g., OECD, 2015). These theoretical and practical insights need to be converted into political demands and programs for defending the rights of children to play, and to develop their sociality and imagination without the demands of adult life, future success, or competition.

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