

1. The difference between Hegel and Marx

The essential difference between Marx and Hegel is the times they lived in. In Hegel's words:

every one is a son of his time; so philosophy also is its time apprehended in thoughts. It is just as foolish to fancy that any philosophy can transcend its present world, as that an individual could leap out of his time or jump over Rhodes.

Marx would agree with this, but how is the present world to be understood and characterised?

Given the economic, social and cultural peculiarities of Germany in Hegel's day there was some basis for Hegel to believe that it would be through *philosophy*, rather than with guns and mobs, that Germany could modernise itself. That was certainly an 'idealist' position, but that does not invalidate the choice Hegel made in his day.

Hegel's Times

Hegel was 18 at the time of the storming of the Bastille. He supported the aims of the Revolution, and in particular Napoleon's extension of the Revolution across Europe including his native Germany, but he was horrified by Robespierre's Terror and saw the Revolution ultimately as a tragedy.

At the time Hegel wrote the first draft of the *Philosophy of Right* in 1817, the Congress of Vienna had just consolidated 300 states of the Holy Roman Empire to just 38. The average population of a state in Germany was thus about 600,000, about the population of Greater Newcastle, NSW. Surrounded by great states with mass conscript armies, the German states were powerless. But Hegel did not advocate for German unification, which was achieved by Bismarck in 1871.

The Prussian King was a reformer but as a result of religious disputes, he took a reactionary turn in 1817, suppressed dissent, and Prussia returned to *absolute* monarchy. In this context, Hegel's vision of a constitutional monarchy outlined in the *Philosophy of Right* was a progressive program for reform framed as a scientific treatise. But Hegel did not advocate revolutionary action. According to the *Philosophy of Right*, social change best proceeds within the existing legal framework. This was conditional; a nation occupied by a foreign power, under the heel of a despot, or subjected to slavery, were not only justified but *obliged* to fight to the death for liberty. The citizens of Germany of that time had less opportunity for political action than a citizen of Australia today, but insurrectionary violence like that advocated by Marx in the later 19th century was no more viable in Hegel's Germany than it is in Australia today.

The world after Hegel's death

After Hegel's death in 1831, his students drew the revolutionary conclusions that were implicit in their teacher's philosophy. Hegelianism spilt over the walls of the academy as his students popularised his teachings and translated them into the language of politics - or rather, translated politics into the language of Hegelianism. In 1841, the Prussian government moved to "expunge the dragon's seed of Hegelian pantheism" from the minds of Prussian youth. The newly-

appointed Minister for Culture mobilised Friedrich Schelling (the last surviving representative of German Idealism, and now a conservative) to come to Berlin and do the job. His lecture in December 1841 was attended by Engels, Bakunin, Kierkegaard and notables from all over Europe but failed to quell the spread of radical ideas and revolutionary agitation.

It is a remarkable fact that almost all the revolutionaries of the 19th and 20th century were either students of Hegel, Hegelians of the second or third philosophical generation or they received their Hegel secondhand through Marx or other critical currents. Hegel was, after all, the first progressive opponent of liberal individualism. Although Hegel saw himself as a foot soldier of the Enlightenment, his critique of liberal individualism provided the philosophical basis for the next epochal change.

Marx's Times

Marx was born in 1818 in Trier, 280 km from Hegel's birthplace, and was 12 years old at the time of the July 1830 Revolution in Paris, just a year before Hegel's death. I mention the July Revolution, because this event was the first occasion on which the proletariat took revolutionary action on its own initiative, rather than as cannon fodder manipulated by other classes. This event marked a watershed. For the first time the proletariat emerged as an independent social and political actor in its own right, even though on this occasion, yet again, a bourgeois government took the opportunity to step into the vacuum of leadership and take power.

By the time that Marx resigned the editorship of the *Rheinische Zeitung* in 1843, France had been rocked by a continuous series of working class revolts and Paris was seething with revolutionary ferment, the English working class had constructed the first working class political party in history (the National Charter Association) and were challenging bourgeois rule in Britain, and an advanced industrial working class was emerging even in Germany. It was obvious that change would come in Europe through the struggle of the industrial working class. Capitalist development was disrupting all the old relations and it was going to be the *industrial working class* who would lead that transformation. Furthermore, leaders of the labour movement were not just demanding inclusion in or reform of the state, or aiming to replace it with one of their own, some aimed even to *smash* the state. This was all unimaginable in Hegel's day.

The difference between the times they lived in

On reflection, it will be seen that all the political and philosophical differences between Marx and Hegel arise from the changes that took place in Europe in the interval between Hegel's last years and Marx's entry into radical political activity.

Hegel's Idealism was reflected in his view of the intellectual and social elite as the vehicle of social progress in Germany. The Europe which Marx knew was one in which the obviously leading progressive force in politics - the industrial proletariat - was excluded from political life. With good reason, Marx regarded the state as an instrument wielded by one class against another and which ought to be abolished. Marx wrote *Capital* in order to understand the labour process which was shaping the proletariat and the opportunities these developments would offer for a socialist revolution. Thus the difference between the Idealist Hegel and the materialist Marx originates in the historical changes in Europe.

One wrote a philosophy of the state, the other wrote a scientific theory of economics.

A Monist social philosophy

What Hegel gave us was a monist social philosophy. It was Spinoza who had first tried to formulate a secular monist philosophy but he did so using the same formal logic which the mediaevals had used. Spinoza posed the problem, but he could not solve it. Dualism prevented European philosophy from resolving any of the problems it posed for itself until Hegel broke through with the concept which he called Spirit.

The thing about monism is that it doesn't really matter what you call that one substance, because it is not Spirit as opposed to something else like ideas as opposed to matter. Spirit is not just a mental thing. It is both the *reality* which any political or social actor faces *and* the *means* available for changing those conditions. Spirit can better be grasped as *the totality of human practices and the products of those practices*.

Marx had a PhD in Greek philosophy, but he was not a philosopher. He was a communist organiser and agitator. Marx inherited Hegel's monism and reformulated it for his own times. What we know of Marx's philosophical views has to be gleaned from scraps of notebooks and incidental comments in his economic, political and journalistic writing. While Hegel left us an *Encyclopaedia of the Philosophical Sciences*, Marx left us *Capital*. But other than Logic, the only science with which Hegel had real expertise was his social theory, embodied in the *Philosophy of Right*.

I should note that the kind of state which is outlined in the *Philosophy of Right* bears little resemblance to the absolute monarchy of Hegel's Prussia. Hegel was opposed to universal suffrage, though, and favoured a structure of collegiate bodies in which each person's voice was expressed through their participation in various kinds of vocational bodies in which they participated. This was not a figment of Hegel's imagination; Hegel used forms of association which existed or had existed in the past in Germany, arranged in a kind of corporatism under a constitutional monarchy somewhat akin to Victorian England.

Hegel described himself as an Idealist

Hegel put it this way:

"The idealism of philosophy consists in nothing else than in recognising that the finite has no veritable being. Every philosophy is essentially an idealism or at least has idealism for its principle, and the question then is only how far this principle is actually carried out. ... A philosophy which ascribed veritable, ultimate, absolute being to finite existence as such, would not deserve the name of philosophy; ... in fact *what is, is only the one concrete whole* from which the moments are *inseparable*."

The archetypal materialists were the ancient Greek Atomists - everything, including human life, was the result of interactions between atoms. *Modern* materialism, which arose *after* Hegel, has a broader concept of material reality which is inclusive of *social practice*. But earlier materialists like Democritus and Spinoza were *blind* to the social formation of knowledge and consciousness.

It was the Idealists, Hegel in particular, who discovered the *social character* of consciousness and knowledge, *not* the materialists. However, the idealists did

not make forms of practice explicitly the subject matter of their systems; rather they took logical categories, concepts, ideas, etc., as their subject matter, thus justifying their description as “Idealists.” A critical reading of Hegel will show however that the *content* of these ideals is *forms of human activity*

For Hegel, ideals were not imaginings existing only inside your head, but existed objectively, in movements, institutions and material culture, independently of any single individual, and which individuals acquired in the course of their activity.

Hegel emphasised the active side rather than passive contemplation

The very first expression of Marxism - Thesis 1 of Marx's *Theses on Feuerbach* - is referring to Hegel when it speaks of “idealism”:

The main defect of all hitherto-existing materialism - that of Feuerbach included - is that the Object, actuality, sensuousness, are conceived only in the form of the object, or of contemplation, but not as human sensuous activity, practice, not subjectively. Hence it happened that the *active* side, in opposition to materialism, was developed by idealism - but only abstractly, since, of course, idealism does not know real, sensuous activity as such. Feuerbach wants sensuous objects, differentiated from thought-objects, but he does not conceive human activity itself as objective activity.

Not only did the Idealists see the creation of institutions as objective activity, they saw *perception* as an active process. They also saw the interpretation of one's experience, how you conceived of and reacted to a situation, as an *active* process. This contrasts with the materialist attitude to the social formation of human beings set out in Thesis 5:

The materialist doctrine that people are *products of circumstances* and upbringing, and that, therefore, changed people are products of changed circumstances and changed upbringing, forgets that it is people who change circumstances and that the educator must himself be educated. Hence this doctrine is bound to divide society into two parts, one of which is superior to society.

On the other hand, we see that Marx lambasted the philosophers (that is, Hegel) for merely *interpreting* the world rather than seeking to change it, partly because “idealism does not know real, sensuous activity as such,” being concerned with concepts rather than activity - ideology rather than activity itself. So Marx presents us with the contradiction that it is the *idealists* who saw the struggle to *change* reality, rather than the given reality, as fundamental, but like all professional philosophers, they merely “interpreted” the world, rather than acting to change it.

Hegel took the social elite to be the agents of change

Having witnessed social change in Britain thanks to industrialisation, and in France thanks to the guillotine, Hegel looked forward to a less traumatic and chaotic revolution in Germany which he saw as led by the social elite - philosophy professors, enlightened monarchs and a meritocratic civil service, rather than the blind destruction wrought by mobs and factories. Although he supported the right of slaves and oppressed nations to violently throw off their oppressors, he wanted his native Germany to achieve modernity through the

perfection of states which would guarantee the freedoms of their citizens. He saw states as guarantors of freedom, not instruments of oppression, and was opposed to destructive, revolutionary methods of achieving social progress. He regarded the poor and working class as incapable of being agents of social progress - their misery was a social problem which could be solved only by the initiative of the enlightened elite.

Who really built Hadrian's Wall?

We call those people "idealists" who think that the social class whose business is plans and ideas are the agents of change, rather than the masses who act out those ideas. We call those people "materialists" who see social change arising directly out of the conditions of social life with ordinary people as its agents.

But recall *Thesis 5* quoted above: if, as materialists, we see people simply as products of their social conditions, then we risk reducing them to passive objects of change, leaving revolutionary consciousness to the intelligentsia or the Party. Hegel and the Idealists erred on the side of change-from-above, but exclusive focus on change-from-below is equally mistaken because it makes the people passive objects of structural forces beyond their control.

Hegel minimised the effect of mundane relations on institutions

In his *Philosophy of Right*, Hegel is sometimes unbelievably naive: he thinks that the civil service is a meritocracy which serves the public good, and doesn't even consider that civil servants might look out for themselves like everyone else; it doesn't matter to him how judges are appointed or from what social class they are drawn, because it is their concept to apply the law to individual cases, not further their own personal or political agenda; that the constitutional monarch, as the traditional owner of the land, is an extremely wealthy person does not cause Hegel to suspect that their judgment might be prejudiced by their wealth.

Marx ridicules this kind of idealism, noting that a 'civil society' necessarily operates *within* the civil service. Hegel seems to think that officials will act according to their job description; Marx does not believe this. Everyone knows that the remuneration structure determines an employee's actions far more effectively than the organisation's mission statement. The climate and vaccine denialists who believe that scientists are corrupted by money, are being materialists, but they are also misguided. Those who believe in Science are being Idealists. Economic interests work on Science indirectly, not directly, through brown envelopes.

Hegel overestimated Logic as against the social process itself

Each strand of research is influenced by the discoveries and theories and techniques and tools produced by the others before them; the scope and complexity and interconnectedness of human activity develops, throws up new insights, new techniques, way beyond the subjective capacity of a single mind to plan or predict. Every insight, every discovery is the product of a human mind, but *the process as a whole* is a gigantic objective social process in which each research project begins from what others have discovered before, using the ideas and instruments created by others in the spirit of their own times.

When Marx wrote the *Communist Manifesto* he left many questions unresolved. One of these was the question of whether the workers' movement could seize power and how they would use that power. Marx did not attempt to work this out in advance. He waited until the Paris Commune demonstrated what the

workers movement would do. He then amended the *Manifesto* accordingly - adding to the 1872 Preface the words: "One thing especially was proved by the Commune, viz., that the working class cannot simply lay hold of the ready-made state machinery and wield it for its own purposes." For Marx, history to some extent takes the place of Logic.

As an Idealist, Hegel falsely believed that Logic would allow him to foresee what was as yet outside social experience. Given he was writing in 1817, before the Michelson-Morley experiment, the microscope and Darwinism, and the burgeoning of natural scientific investigation during the 19th century, it is obvious to us that the project of the *Encyclopaedia* was untenable. Only the social process itself as a whole "outside the head" can work out and reveal the real content of a concept; this insight is available to the theorist to the extent that they can observe and make intelligible what exists or is already at least in the process of formation.

2. Comparison of *Capital* and *Philosophy of Right*

The Structure of the *Philosophy of Right*

1. The Starting point of the *Philosophy of Right*

At the time Hegel was writing, all the debate about social and political life centred around private property and the state, and whether these suppressed the freedom people had enjoyed in a “state of nature.” By means of a study of the nature of human beings, Hegel concluded the exact opposite.

For Hegel, a person was more than just any living thing. “A person is a unit of freedom aware of its sheer independence.” The simplest, immediate form of freedom is abstract right: private property and inalienable bodily autonomy.

The person and their freedom is the basis of any state and a good state must give the fullest possible expression to that freedom. Consequently, the *Philosophy of Right* makes its beginning from *abstract* right, i.e., private property and inalienable bodily autonomy. The study of freedom begins with private property but turns out to be the science of the state.

2. Germ cells: The fine structure of the *Philosophy of Right*

The *Philosophy of Right*, like all Hegel’s books, is made up of a linked series of circles, sciences, each of which is unfolded from one “universal individual” such as “abstract right,” and developed into a concrete science. From private property, Hegel derived a series of units, viz., Possession (Taking Possession, Use and Alienation); ‘Contract’ (Gift, Exchange and Pledge) and ‘Wrong’ (a Non-malicious Wrong, a Fraud and a Crime) - thus a series of concepts making up the foundations of civil law. This structure is continued throughout the *Philosophy of Right*. The second part, “Morality” is based on the individual subject who consults their own conscience in deciding their actions. Morality goes through a series of these units: Purpose, Goal, Means, Intention, Welfare and the Good. The third part of the *Philosophy of Right*, “Ethical Life,” goes through: Family, Market, Public Authorities, Corporations, and finally, the State. The method by which the progression from these ‘units’ into a complete science is given in the *Science of Logic*. It must be noted however that these units are distinct concepts with real content, thus differing from the units which arise in the *Logic* which begins from the empty concept of Being.

Thus, the fine structure of the *Philosophy of Right* is a “circle of circles,” each circle constituting a specific branch or sub-branch of law. I have mentioned 28 of the “units” or “germ cells” which form the structure of the whole. In each case, the universal necessarily develops into particulars governing the real action of subjects.

Each of these germ cells is a really existing material relation, found in any developed modern state in some form or other. But in the *Philosophy of Right*, Hegel criticised their usual understanding and formulated scientific concepts of them, thus constructing a concrete science of the state in outline.

3. The Three Ethical Realms in the *Philosophy of Right*

Hegel introduced the terms Right, Morality and Ethical Life to indicate three, what I will call, “ethical realms” which contradict one another but co-exist in the modern state. Right, Morality and Ethical Life together make up the *Philosophy of Right*.

Right refers to the rights every person enjoys under civil law irrespective of their social status, religion or whatever, provided they are a rational *person*. It is broadly the same as what is called “negative liberty” inasmuch as it includes not only the right to own private property excluding that of all others, but entails equality before the law and inalienable bodily autonomy and demands only the respect of the liberty of others. These rights are sometimes called “human rights,” pertaining to every person whether or not they are a citizen of the state.

Morality is the realm in which subjects freely exercise their own conscience, determining their actions with regard to their own welfare, having regard to all the foreseeable consequences on the welfare of other people. The moral subject acts within the constraints of the law and the rights of other persons, but within that makes judgments according to their own conscience. A child or an insane person is not a subject.

Hegel claims, however, that evil just as much as good can arise from exercise of a subject’s own conscience, because an individual subject cannot foresee all the consequences of their actions. Consequently, the development of the state depends on the development of a culture in which subjects recognise that their own welfare is dependent on the general good.

Ethical Life (*Sittlichkeit*) is determined by participation of all *citizens* in a number of institutions, specifically Family, Civil Society and the State. In ethical life not all are equal. “Equality” is meaningless within the family where bonds of love entail sacrifice and care and in civil society, employers and employees, for example, have distinct rights and duties, just as citizens have different roles within the political state. Ethical life is constructed by a real historical community with the aim of developing the freedom of all its citizens in the circumstances it finds itself according to *its own customs and habits*.

Human beings may be simultaneously persons, subjects and citizens. Their actions are simultaneously determined by their rights as persons, by their own conscience as subjects and by the law as citizens. Clearly, these three ethical realms may be in *contradiction*. I may give up my property according to my conscience to help another person or I may be drafted into the military as determined by the state. The unity and conflict between these three ethical realms is manifested in the real historical development of the state.

4. The Syllogism of the *Philosophy of Right*

All of Hegel’s works are constructed by syllogisms, that is, logical developments in which two conflicting claims are synthesised in the formation of a third. An example of such syllogisms is seen in the structure of Ethical Life: Family, Civil Society and the State. Historically, “bourgeois society” emerged in the gap which opened up in feudal societies. Under feudal law, Family and the State are interwoven, with every person’s right and duties determined by their position in relations of blood and land. Civil society mediated between the state (then the exclusive domain of the nobility and royalty) and the day-to-day life of the masses, building new institutions such as town councils, trade unions, and corporations. The universal liberty of the property-owner is reconciled with the freedom of action of the moral subject by the laws which citizens agree upon through participation in the political state.

The Structure of *Capital*

In 1843 Marx resigned editorship of the *Rheinische Zeitung* and

eagerly grasped the opportunity to withdraw from the public stage to my study, [and] the first work which I undertook to dispel the doubts assailing me was a critical re-examination of Hegel's *Philosophy of Right* My inquiry led me to the conclusion that neither legal relations nor political forms could be comprehended whether by themselves or on the basis of a so-called general development of the human mind, but that on the contrary they originate in the material conditions of life, the totality of which Hegel, following the example of English and French thinkers of the eighteenth century, embraces within the term "bourgeois society"; that the anatomy of this bourgeois society, however, has to be sought in political economy. (Marx, 1859, Preface)

The economic theory we find in *Capital* is completely original and owes nothing to Hegel as to its content. However, so far as its structure goes, it owes everything to Hegel's *Philosophy of Right*.

The first sense in which we see Marx as a materialist as against Hegel the idealist is here, is that Marx sought the anatomy of modern society not in the *State* but in the economic production of everyday life.

1. The starting point of *Capital*

Marx's determined the starting point of *Capital* in the same way that Hegel determined the starting point of Philosophy (Being) and his Social Theory (Freedom), by means of an *immanent critique* of Political Economy. Immanent critique means accepting the terms of the relevant discourse, entering into it as a critical participant, and determining the basic problems with which the discourse is facing and the principle which makes sense of these problems, and by analysis of this basic principle, showing the way forward for the discourse.

Marx found that among the Political Economists, it was David Ricardo who had come closest to making a true science of political economy by making *value* the foundation and starting point of the science, and trying to understand all the phenomena of political economy as *forms* of value. Ricardo, however, had been unable to achieve this consistently, mainly because Hegel's *Logic* was unknown to him. Thus, Marx agreed with Ricardo's principle, but applied Hegel's method by adopting as the sole starting point of political economy, not "value," but the "simplest social form of value, the commodity" - the "universal individual" of political economy.

Capital thus began with a critical examination of the commodity form of value and generates out of this examination the first basic concepts of economics - exchange, exchange-value, use value, circulation and finally money. An important feature of this derivation is that Marx distinguishes between *particular* commodities (cloth, boots, coal or whatever) and the *universal* commodity, money, which acts as a universal equivalent. The *individual* moment of value refers to any concrete, single commodity. Marx thereby generates from the "germ cell," the three moments of a concrete concept of value, as identified in Hegel's *Logic*: Universal, Particular and Individual. Throughout *Capital* the distinction between the universal form (typically a form of money) and particular forms is continued at each stage of the analysis .

This method of beginning a science with the examination of the simplest possible instance of the subject matter is characteristic of Hegel's method of science and differs sharply from the usual method. Ricardo for example, took

the uniform general rate of profit as a given datum from the start of his theory, rather than *deriving* it from the value principle. In fact, the uniform general rate of profit is in direct contradiction to determination of price (which Ricardo never clearly distinguishes from value) by labour time.

When Hegel turned his attention to value he failed to live up to the standard of analysis which he himself had set. Value, Hegel claimed, was a measure of the *usefulness* of a product, realised in exchange, while a product only had value if it was a product of *labour*. He failed to go that extra step and see that value is therefore *overdetermined* (just as Right is overdetermined), that it is determined both by labour time and by usefulness and this contradiction was in fact the motor force which drove the movement and development of capital around an economy. Hegel never examined production under the rule of capital, being concerned only with bourgeois society. Capital had not yet transformed production and political life as it had in England. So here Marx departed from Hegel in his analysis of value, but really he only followed the method Hegel had outlined in the Logic, but had failed to carry through in this instance, because the productive forces had not yet developed so as to make these contradictions visible.

2. The Germ Cells of *Capital*

Although it has long been recognised that the commodity functions as a germ cell, it is not true that the whole of *Capital* is unfolded from this single germ cell. Indeed, it is only in the second part of Volume One that Marx introduces the unit of capital, in which a capitalist buys in order to sell more dearly. Although this is a new form of value, it is clearly not a commodity because commodities entail exchanging products at their value. In fact, Marx derives the structure of modern capitalism by the use of 15 distinct units.

Volume One is made up of the commodity, a unit of capital, and a day's unpaid labour time, necessary labour time, productive labour and a day's wage. Volume Two is made up of the circuit of capital, turnover time and the unit of circulation and production. Volume Three is made up of cost of production, the average rate of profit, accumulated constant capital, commercial capital, finance capital and the private landowner.

Each of these germ cells is a simple, discreet unit, the result of a unique insight by Marx into the development of value in capitalism. Each solve a particular problem which has arisen in the history of political economy, and its examination yields insight into some necessary aspect of capitalist economic life. These are the *mundane* relations which underlie the judicial units of Hegel's *Philosophy of Right*.

In each case, the simple germ cell is developed into a concrete concept, that is, it has both a universal moment and particular moments. Because money is a universal equivalent, the universal moment is often a monetary entity. Thus for example, the unit of capital can be an accumulation of commodities (commercial capital), but the universal unit of capital is a sum of money. Or, the circuit of capital which begins from a sum of money and returns to a sum of money is a universal circuit, while the collection of commodities held by a trader which returns after sale and restocking to a collection of commodities is a *particular* circuit. On the other hand, the unit of industrial capital is the universal unit of capital because the industrial capitalist directly appropriates unpaid labour time, whereas the usurer or commercial capitalist merely extorts a share of the surplus already appropriated by industrial capital.

It can be easily observed that the microstructure of *Capital* resembles the microstructure of the *Philosophy of Right* also made up of units.

3. The Ethical Realms in *Capital*

Almost all of the interest in the Hegelian elements of Marx's *Capital* has been focussed on the first Part, the first three chapters on the Commodity, Exchange and Money. The irony is that the subject matter of this part is Bourgeois Society, that is, that community of artisans and merchants which had existed in the interstices of ancient society for millennia and does not include industrial capital, which appears only in Part Two.

It is no wonder then that the principle of bourgeois society - that products of labour are exchanged at their value being the average quantity of labour required for their production - is in contradiction to the principle of productive capitalism that products are sold at cost price plus profit at the prevailing rate of profit. Part One, on Bourgeois Society, is a completely different ethical realm which has been subsumed by Productive Capitalism, which transforms the labour process and appropriates the surplus labour time and shares it amongst the capitalists in proportion to capital invested.

The genius of Marx's *Capital* is that instead of trying to eliminate this contradiction, as had Ricardo and his followers, Marx incorporated the contradiction in his system. The workers are *exploited* by the appropriation of unpaid labour, and this is demonstrated by considering each capital separately in Volume One. But despite the fact that prices are ultimately determined by the ethos of capitalism, *the total amount of value produced* in an economy and shared amongst the capitalist is fixed by the considerations of Volume One, before the competition and the circulation of capital is considered.

Then, when Finance capital enters the picture in the latter part of Volume Three, we find that Finance capital reduces the industrial capitalist to the status of a mere salaried employee, by loaning capital for the industrial or commercial capitalist, but never releasing ownership of that capital. The finance capitalist takes an on-going share of the surplus by means of interest, irrespective of whether the borrower makes a profit or not. This is capital in its pure form, continuously demanding profit without any concern for the labour process. The banks position themselves so they can create money out of nothing, loan it out and demand interest in return. This is a new ethos.

Thus, like the *Philosophy of Right*, *Capital* presents three ethical realms. The first basic realm, Bourgeois Society in which products are exchanged at their value, sets limits on the real wealth of the society, all the rest simply determining how the surplus is shared. In the second ethical realm, Productive Capitalism, industrial capital rules, and the price of all goods and services is determined by the quantity of capital they employ. Value is passed back and forth between different industries through the action of the commodity and capital markets, to equalise the rate of profit. In the Third ethical realm, values are not exchanged at all as the banker retains ownership of the capital which the capitalist employs to justify his own existence and earn the interest to pay the bank.

In the *Philosophy of Right*, Rights, Morality and Law co-exist while at the same time contradicting one another. Likewise, in modern capitalism, Bourgeois Society, Industrial Capitalism and Finance Capitalism, coexist in conflict under the rule of finance capital.

4. The Syllogism of **Capital**

Marx was not a great fan of the syllogism. Nonetheless he explicitly constructed the relation between the three Volumes of *Capital* as a syllogism.

Volume One is titled “The *Immediate* Production of Capital,” and it is characterised by the fact that each process of production is considered immediately and separately from the action of every other unit of capital. Competition is not considered in Volumes One and Two, but it is assumed that products are sold at their value as in Bourgeois Society, on the presumption that the market will determine that this is so. And indeed under the unrealistic condition that all products incorporate the same proportion of “constant capital” this would be true. But this is counterfactual. The method of Hegel, described by Marx as the “ascent from the abstract to the concrete,” allows Marx to consider capitalist production in this “abstract” way, i.e., considering each producer separately to begin with, and then later considering the result of the interaction between the different producers in the market.

Volume Two is entitled “The Process of *Circulation* of Capital.” Here, rather than taking the commodity market and the labour market for granted as if given to the capitalist entrepreneur by Nature, Marx considers how each unit of capital (firstly money capitals, then productive capitals and commodity capitals) reproduces itself in the entire circuit through circulation, consumption and production. In so doing the units of capital reproduce the entire social formation by means of their circuit through different parts of the economy. However, Marx still treats each of these circuits separately, each reproducing itself out of its own circuit of value, transmuting between different forms of value.

Volume Three is entitled “The Process of Capitalist Production as a *Whole*” and Marx claims: “the capitalist process of production taken as a whole represents a *synthesis* of the processes of production and circulation.” And

The various forms of capital, as evolved in this book, thus approach step by step the form which they assume on the surface of society, in the action of different capitals upon one another, in competition, and in the ordinary consciousness of the agents of production themselves.

Here Marx explicitly describes the macrostructure of *Capital* as a syllogism and points out how “step by step” he has arisen *from the abstract to the concrete* as it exists in “the ordinary consciousness of the agents of production themselves.”

The parallels between *Capital* and **Philosophy of Right**

Instead of going straight to an outline of his imagined State, Hegel derived it from a synthesis of Rights and Morality.

The four elements of the structure of *Capital* can be seen to be directly appropriated from Hegel’s *Philosophy of Right*. The central problem that Hegel dealt with in the *Philosophy of Right* was conceiving of a form of society in which every person was able to express themselves as independent agents through the objectification of their labour in the form of private property and the autonomy of their own body. This is in contrast to social formations based on slavery and/or despotism. Hegel’s vision was faced with a contradiction that wherever a large number of people came together in a shared space their individual actions were bound to conflict leading to the subjection of some to

the will of others. This is the problem addressed by Thomas Hobbes and Jean-Jacques Rousseau. Hegel held that by the education of their social consciousness people could exercise control over their own actions on the understanding that their own welfare was dependent on the general welfare. However, there would also be unforeseeable consequences of individual's actions and, as the saying goes, the way to hell is paved with good intentions.

Hegel resolved the contradiction between individual autonomy of persons and the exercise of the free will of subjects in the formation of a state by citizens acting collegially through various forms of association. Ethical life was therefore a synthesis of abstract rights and the morality of an educated public.

In his critique of political economy, Marx confronted a similar contradiction. The *exchange of products of people's labour at its value*, that is, according to the labour time necessary for its production, was in contradiction with the empirically given fact that the price of commodities was determined by the cost of production plus a uniform general rate of profit on capital invested. This contradiction was resolved by Marx by the synthesis of the immediate production of capital and the circulation of capital in which the labour theory of value coexists with a uniform rate of profit.

The establishment of a uniform rate of profit opens the way for a third ethical realm in which capital is manifested in its purest form, producing surplus value in the form of interest having no real connection with the process of production at all. This is finance capital, in which property is not exchanged at all, but simply loaned out at interest without ever releasing ownership. Under the rule of finance capital, industrial capitalists are reduced to the status of salaried officials.

The problem of the contradictory claims by different forms of value parallels the conflicting demands of individual rights, subjective conscience and the law.

Underlying Marx's *Capital* is the conception that the consciousness of social actors is determined above all else by the everyday necessities of material reproduction of life, whatever the form of state.