

The Philosophical Roots of Socialism and the Free Market Economy

BY JEFF CARREIRA – SEPTEMBER 19, 2012

Somewhat surprisingly, these two radically different concepts have a shared history.

It is common knowledge that among developed western countries the two leading socioeconomic systems are socialism and capitalism. The former is often associated more closely with European systems of governance and the latter with the American free market economy. It is also generally known that these two systems are rooted in two fundamentally different assumptions about how a healthy society progresses. What is not as well known is that they both stem from the same philosophical roots, namely the evolutionary philosophy of Georg Wilhelm Friedrich Hegel.

Georg Wilhelm Friedrich Hegel was a leading figure in the movement known as German Idealism that had its beginnings in the late 18th century. That philosophical movement was initiated by another prominent German thinker, Immanuel Kant. Kant published “The Critique of Pure Reason” in 1781, offering a radical new way to understand how we as human beings get along in the world. Hegel expanded on Kant’s theory of knowledge by adding a theory of social and historical progress. Both socialism and capitalism were inspired by different, and to some extent apposing, interpretations of Hegel’s philosophical system.

Immanuel Kant recognized that human beings create their view of reality by incorporating new information into their previous understanding of reality using the laws of reason. As this integrative process unfolds we are compelled to maintain a coherent picture of what is real in order to operate effectively in the world. The coherent picture of reality that we maintain Kant called a necessary transcendental unity. It can be understood as the overarching picture of reality, or worldview, that helps us make sense of the world and against which we interpret and judge all new experiences and information.

Hegel realized that not only must individuals maintain a cohesive picture of reality, but societies and cultures must also maintain a collectively held and unified understanding of what is real. To use a gross example, it is not enough for me to know what a dollar bill is and what it is worth. If I am to be able to buy something with my money, then other people must agree on its value. Reality is not merely an individual event; it is a collective affair of shared agreement. Hegel further saw that the collective understanding of reality that is held in common by many human beings in any given society develops over the course of history. In his book “The Philosophy of History”, Hegel outlines his theory of how this development occurs. Karl Marx started with Hegel’s philosophy and then added his own profound insights – especially in regards to how oppression and class struggle drive the course of history.

Across the Atlantic in America, there was another thinker, Ralph Waldo Emerson, who was strongly influenced by German Idealism and especially the philosophy of Hegel. In the development of the American mind one cannot overstate the role that Emerson played as the pathfinder who marked trails of thought that continue to guide the current American worldview. His ideas became grooves in consciousness set so deeply in the American psyche that they are often simply experienced as truth. What excited Emerson about Hegel was his

description of how reality emerged from a universal mind. Emerson similarly believed that what we as human beings experience as real has emerged through time from a universal source of intelligence. This distinctly Hegelian tone in Emerson can be heard clearly in this passage from his essay entitled "History":

“There is one mind common to all individual men. Of the works of this mind history is the record. Man is explicable by nothing less than all his history. All the facts of history pre-exist as laws. Each law in turn is made by circumstances predominant. The creation of a thousand forests is in one acorn, and Egypt, Greece, Rome, Gaul, Britain, America, lie folded already in the first man. Epoch after epoch, camp, kingdom, empire, republic, democracy, are merely the application of this manifold spirit to the manifold world.”

Emerson, like Marx, was influenced by Hegel’s ideas and yet both men interpreted Hegel differently. One distinct point of departure between Marx’s interpretation of Hegel and Emerson’s is in their differing points of view regarding the mechanisms that drive social evolution. Marx placed more emphasis on the role of cultural forces where Emerson identified the transformative power that generates cultural change as coming from the efforts of extraordinary individuals. Emerson had an unshakeable confidence in the ultimate inherent goodness of the human spirit. He believed that if a human being were allowed to freely connect with their truest self then goodness would result. In his spiritual philosophy this connection occurred when the individual had developed to a place of self-realization that would allow the “Over-soul”, which he described as the collective soul of humankind, to take command of the individual’s will. The acts of these “representative men” were of such rare quality that their lives became beacons of higher possibility. According to Emerson these individuals “represented” higher possibilities and became vehicles for social transformation by setting an example for others to follow.

For Emerson the extraordinary individual was the driver of social change. Emerson held a vision of heroic individuals who lived according to a more profound image of the future and acting as an example of that new future in action. These individuals cast a light that cuts through the darkness and ignorance of the status quo and reveal potentials so compelling that they cannot be ignored. As Emerson explains it, these lives embed themselves into our deepest conception of what human life should be. They become part of our everyday language and our histories are the telling of their stories. Create a society that generates a steady stream of these individuals, says Emerson, and they will create pathways for the rest of us to follow. Emerson’s ideas fortified the philosophical underpinning of the American version of a free-market capitalism. Allow individuals to flower unhindered and the best among them will lead our economy forward through ingenuity and genius.

Karl Marx and Ralph Waldo Emerson were contemporaries. Emerson was 15 years Marx’s senior, but Marx died in 1883, only a year after Emerson did. Karl Marx is one of the most recognizable philosophers of the 19th century and his social and economic ideas, which form the foundation of socialism, were among the most influential through the entire following century and right up to the present moment. As a young man, Marx, like Emerson, was deeply influenced by Hegel; although Marx’s interpretation of Hegel was truer to the spirit of the master.

Karl Marx saw things differently from Emerson. He saw huge impersonal forces at play in the growth and development of society. No individual, regardless of what goodness motivated them, had the power to shift the cultural currents of their time. Awash in a sea of economic, political and social dynamics, the great mass of individuals found themselves with limited or no access to the fruits of the system they worked to support. No matter how powerful or advanced any individual might become, at the end of the day their ability to create change would be engulfed in larger cultural, social and economic currents. And even worse, the majority of individuals who were empowered and subsequently rose to prominence within the existing socioeconomic system, would have done so on the backs of those below them. And once in power they would work to hold in place the system that had privileged them in the first place. An unregulated free-market economy would always

serve the needs of a few by exploiting the labor of the many. Marx had less faith than Emerson in unbridled individualism and he established socialism as an alternative socioeconomic model.

And so the philosophy of Georg Wilhelm Friedrich Hegel helped inspire both the American free market economy and European socialism. Hegel's evolutionary philosophy accounted for the development of culture through time. And two different interpretations of that philosophy lead to two different social systems. Since both systems grew out of interpretations of an evolutionary philosophy it can be illuminating to reset the distinction between them in Darwinian terms.

Charles Darwin's famous theory of natural selection told us that evolution occurs through a process by which novel variations in a species occur randomly. Some of these variations are better fit to survive in the environment in which they appear. These new variations are said to have a survival advantage and eventually all of the less fit members of the species will die out leaving only those that exhibit the new variation. At this point the species will have evolved into the next version of itself. In this model of evolution there are two factors that can potentially be controlled to guide the process of evolution. One would be the quality of the variations and the other is the environment.

Emerson's philosophy focused on generating more and better variations to drive evolution forward. Socioeconomically that means removing as much regulation as possible from individuals allowing them to flower creatively in as many directions as they see fit. Those with the best innovations will flourish and society as a whole will benefit from their efforts. Self-interest and the constraints of the marketplace are the only regulation required. Marx on the other hand was more concerned with controlling the environmental factors and cultural forces that act upon the individual. He believed that the socioeconomic environment needed to be intelligently managed in order to create the best living conditions for all members of society.

There are individuals who champion one side of this debate exclusively over the other, and yet all developed nations incorporate aspects of both. Perhaps these apposing points of view are best thought of as a polarity. Allowing either side to become overly dominant will stunt the evolution of culture as a whole. The history of the past hundred years has shown us many examples of how under-regulation and over-regulation can both lead to mayhem. Socioeconomic systems are vehicles for maintaining and advancing the social good and they tend to lead us astray when we adhere to them blindly and exclusively, believing that they represent unchangeable reality rather than ideas, however ingenious, about reality. Any idea about reality is bound to be incomplete and laden with false assumptions. Understanding the philosophical foundations of any system will help us avoid going astray as we use them to navigate in a world that is too complex to be captured by any single system.