Leibniz's intellectual training was squarely in the tradition of Scholasticism and Renaissance humanism; his background, then, was of Aristotelianism, Platonism, and orthodox Christianity. Yet, as he became more familiar with the modern philosophy of the seventeenth century, he came to see many of its virtues.

Leibniz's critique of Descartes and his followers was focused principally on the Cartesian account of body or corporeal substance. According to Descartes, the essence of body is extension; that is, a corporeal substance is simply a geometric object made concrete, an object that has size and shape and is in motion. This view, indeed, is the cornerstone of the new mechanical philosophy to which Leibniz was originally attracted. Nevertheless, Leibniz came to see two distinct problems with this view. First, in claiming that the essence of body is extension, Descartes is endorsing the view that matter is infinitely divisible. But if matter is infinitely divisible, then one can never arrive at the simple unities that must exist at some ontological ground level. Second, if matter is simply extension, then there is in its nature no source of activity. If this is so, Leibniz thought, then the bodily objects of the world cannot count as substances.

For Leibniz, the fundamental questions of metaphysics were reducible to questions of ontology: What is there? What are the most basic components of reality? What grounds what? In a certain sense, his answer remained constant throughout his life: everything is composed of or reducible to simple substances; everything is grounded in simple substances.

While Leibniz appears to have given slightly different accounts of the precise nature of these simple substances over the course of his career, there are many features that remained constant in his mature philosophy: Leibniz always believed that a substance had a “complete individual concept” and that it was essentially an active unity endowed with perception and appetite.

In §8 of the Discourse on Metaphysics, Leibniz gives one of his most important accounts of the nature of individual substance. There he claims that the Aristotelian idea that a substance is that which is the subject of predication and which cannot be predicated of something else is insufficient for a true analysis of the nature of substance

$x$ is a substance if and only if $x$ has a complete individual concept (CIC), that is, a concept that contains within it all predicates of $x$ past, present, and future.

The CIC, then, serves to individuate substances; it is able to pick out its bearer from an infinity of other finite created substances. Leibniz gives as an example Alexander the Great. The concept of Alexander contains being a King, being a student of Aristotle, conquering Darius and Porus, and so on. Now, “God, seeing Alexander's individual notion or haecceity, sees in it at the same time the basis and reason for all the predicates which can be said truly of him.” (A VI iv 1540–41/AG 41) Leibniz's invocation of the Scotist notion of a haecceity is intriguing. What Leibniz is telling us is that Alexander's thisness is determined by the sum of his qualitative properties. Moreover, we can see a metaphysical aspect to this logical conception of substance: the complete individual concept of a substance is the notion or essence of the substance as it known by the divine understanding.
Leibniz concludes this section with his celebrated doctrine of marks and traces: “when we consider carefully the connection of things, we can say that from all time in Alexander's soul there are vestiges of everything that has happened to him and marks of everything that will happen to him and even traces of everything that happens in the universe, even though God alone could recognize them all.” (A VI iv 1541/AG 41) The doctrine of marks and traces, therefore, claims that, because the CIC contains all predicates true of a substance past, present, and future, the entire history of the universe can be read (if only by God) in the essence of any individual substance.

Another notable consequence of the logical conception of substance is the denial of the causal interaction of finite substances. This is clearest in Primary Truths, where a very similar argument concerning the nature of substance is given. Not only is it the case, Leibniz claims, that genuine physical influx—the transfer of some property within one substance to a second property—is inexplicable, but more important the logical conception of substance shows us that the reasons for any property that a substance may have are already contained within its CIC. In other words, every state of a substance is explained, grounded, or caused by its own notion or CIC. (Of course, the ground or reason for the existence or actuality of any particular substance is to be found in God and his free choice of worlds).

In declaring that a substance is necessarily indivisible, Leibniz renders it impossible for a body, or matter alone, to be a substance. Thus, Cartesian corporeal substance, the essence of which is simply extension, cannot exist as substance. Put differently, Leibniz's argument is that nothing that is divisible is a substance; a Cartesian chunk of matter is divisible; therefore, a Cartesian chunk of matter is not a substance. This points to the first part of Leibniz's critique of the Cartesianism mentioned above: namely, that according to Leibniz, Cartesian matter fails to have the unity required of a genuine substance. Indeed, in the Correspondence with Arnauld, Leibniz considers the case of a human body deprived of a soul and says the body, or cadaver, would not be a substance at all but merely an aggregate of substances. Moreover, anything lacking a substantial form or soul is not a substance, that is, if a thing is not truly “animated”, then it is only a true phenomenon. (G II 77/AG 80) It should be noted how strong Leibniz's claim is: he is arguing that Cartesian corporeal substances or any such chunks of matter are not real beings—at least not as real as simple substances. Aggregates of simple substances, therefore, have a different ontological status from simple substances.

The second part of Leibniz's critique of the Cartesian doctrine of corporeal substance relates to the notion of activity. According to Leibniz, substances are not only essentially unities, but also active. As he says in the opening line of the Principles of Nature and Grace: “A Substance is a being capable of action.” (G VI 598/AG 207) But Cartesian corporeal substance, insofar as its essence is extension, cannot be itself a source of activity.

First, Leibniz holds that this is so because he adheres to the classical and Scholastic idea that actions pertain to supposita; that is, only something that can be the subject of predication can be active, and only true unities can be genuine subjects of predication (and not mere phenomena). Put differently, Cartesian extended stuff cannot, insofar as it is infinitely divisible, constitute a supposittum, or subject of predication. But, second, Leibniz believes that something is active if and only if the source of its activity can arise within itself, that is, if and only if its activity arises spontaneously from within itself. This is another reason, then, that individual substances will be understood as mind-like, for Leibniz believes that only minds or mind-like things can originate and alter their modifications.
Since simple substances are minds, their modifications are representations or perceptions, and the activity of the simple substance will relate to the change or succession of its perceptions. One way to think of this is that each substance has a unique series of perceptions programmed by God to play in harmony with all other substances, and the internal tendency of a substance to move from perception to perception is its active force, or what Leibniz also calls appetite or appetition.

Leibniz's celebrated solution to the mind-body problem, which Leibniz had inherited from Descartes and his followers, is as follows. The problem, briefly, is this: if mind is essentially thought (and nothing else), and body is essentially extension, then how can mind and body interact or form a unity as we know from experience they must? Or how do thinking substance and extended substance unite in the substance of a human being?

Leibniz answers this question by, first, denying the possibility of the causal interaction of finite substances. In this way, Leibniz undermines Cartesian dualism because it takes as a premise the idea that mind-body interaction is to be explained by the influence of the one on the other via the pineal gland. (See the Sixth Meditation: AT VII 86–87/CSM II 59–60)

But Leibniz also saw pre-established harmony as an account of the mind-body relation that avoided the difficulties inherent in Occasionalist theories of the mind and the interaction of substances. In one of Leibniz's best-known metaphors, he asks his readers to imagine the mind and body as two pendula hanging from a beam. Whence comes their agreement? One could imagine that the motion of the one is communicated through the wooden beam to the other, thus causing them eventually to swing harmoniously (the theory of influx). Or one could imagine that God intervenes and moves the pendula, guaranteeing their synchronicity (the theory of occasionalism). Or, Leibniz says, one could imagine that God, the supreme artificer, created the world (and the pendula) so perfectly that, by their own natures, they would swing in perfect harmony. Naturally, it is this last thesis that Leibniz endorses and asks his readers to endorse as well. (See, for example, the Postscript of a Letter to Basnage de Beauval (G IV 498–500/AG 147–49).)

More precisely, Leibniz argues that God created the world so perfectly that each substance acts according to its own law of unfolding and is at the same time in perfect harmony with all others substances; further, that the mind has a distinct point of view of the world by virtue of its being the center of some mass (body), and that the law of unfolding of the mind is in accord with the laws of the corporeal machine.

Now, when Leibniz speaks in metaphysical rigor, he denies the underlying premise of Cartesian dualism: body is not a substance; so there can be no question of how it qua substance interacts with or is related to the mind, or thinking substance. Nevertheless, Leibniz was able to express his view for the vulgar – that is, for those expecting a Cartesian metaphysics – by saying that the mind and body can be said to form a union and interact insofar as the mind follows its laws, the body follows its laws, and they are in perfect harmony.

Thus far we have seen that Leibniz rejected the Cartesian account of matter, according to which matter, the essence of which is extension, could be considered a substance. Leibniz held instead that only beings endowed with true unity and capable of action can count as substances. The ultimate expression of Leibniz's view comes in his celebrated theory of monads, in which the only beings that will count as genuine substances and hence be considered real are mind-like simple substances endowed with perception and appetite. What was said above concerning the unity and activity of simple substance should suffice to explain
Leibniz's reasons for holding such a position. Now a fuller version of Leibniz's idealism must be presented. According to Leibniz, if the only genuinely real beings are mind-like simple substances, then bodies, motion, and everything else must result from or be derivative of those simple substances and their perceptual states. In a typical statement of his idealism, Leibniz says, “I don't really eliminate body, but reduce [revoco] it to what it is. For I show that corporeal mass [massa], which is thought to have something over and above simple substances, is not a substance, but a phenomenon resulting from simple substances, which alone have unity and absolute reality.” (G II 275/AG 181) Yet, this position, denying the reality of bodies and asserting that monads are the grounds of all corporeal phenomena, as well as its metaphysical corollaries has shocked many. Bertrand Russell, for example, famously remarked in the Preface to his book on Leibniz that he felt that “the Monadology was a kind of fantastic fairy tale, coherent perhaps, but wholly arbitrary.” And, in perhaps the wittiest and most biting rhetorical question asked of Leibniz, Voltaire gibes, “Can you really believe that a drop of urine is an infinity of monads, and that each of these has ideas, however obscure, of the universe as a whole?”

When Leibniz argues that bodies are the results of monads and that matter itself is a phenomenon, he has something very specific in mind. First, in Leibniz's system there is a special kind of order in the natural world corresponding to a hierarchy of monads.

Each monad will have an organic body which is in turn composed of other monads, each of which likewise has an organic body. Similarly, any seemingly inanimate chunk of matter – a stone or, yes, a drop of urine – will be the result of an infinity of monads and their organic bodies, which are nothing more than more monads and their organic bodies. This view is associated with a panorganicist strand of Leibniz's thought. And it is for this reason that Leibniz will claim that “all of nature is full of life” (Principles of Nature and Grace §1: G VI 598/AG 207) and that “there are infinite degrees of life in the monads.”

Second, there is what can best be described as a genuinely idealist strand of Leibniz's thought. That is, if idealism is the thesis that the only things that truly exist are minds and their ideas, then Leibniz clearly espouses this doctrine. Here the operative idea is that bodies, and in particular the bodies associated with particular minds, are intentional objects – though they result from or are grounded in monads.

Thus, the only real things are simple substances; the bodies that we perceive in motion around us are phenomena and not themselves substances, though they are grounded ultimately in simple substances or monads. Furthermore, the bodies of the natural world ought be considered intentional objects in that they are objects about which we have certain beliefs. This is what Leibniz means in saying that they have reality insofar as there is a harmony between perceivers or between the same perceivers' beliefs or perceptions at different times. In other words, one's body or even a stone is real because it is an object of perception that fits into an account of the world that is both coherent from the point of view of the single perceive and in harmony with the perceptions of other minds.