

Part I

Equality vs Hierarchy

Chapter 1

Analytical Egalitarianism and Its Opposition

The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause as the effect of the division of labour. The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature as from habit, custom, and education. When they came into the world, and for the first six or eight years of their existence, they were perhaps very much alike, and neither their parents nor playfellows could perceive any remarkable difference. About that age, or soon after, they come to be employed in very different occupations. The difference of talents comes then to be taken notice of, and widens by degrees, till at last the vanity of the philosopher is willing to acknowledge scarce any resemblance.

Adam Smith Wealth of Nations

1.1 Introduction

An underlying theme of this work is that political economy in the Classical tradition *rightly* presupposed human homogeneity and consequently rejected hierarchical presuppositions of any sort. Starting with Adam Smith, Classical economics is characterized by an analytical egalitarianism that presumes humans are the same in their capacity for language and trade; observed differences are then explained by incentives, luck and history, and it is the “vanity of the philosopher” incorrectly to conclude that ordinary people are somehow different from the expert (Smith 1776, 1.2 § 4).

The questions at issue between analytical egalitarians and their critics is whether everyone’s preferences count equally, and whether everyone is equally capable of making economic decisions.¹ In Smith’s account, all people, philosophers and subjects alike, are motivated by fame and fortune, and we are all equally capable of making decisions. We call this doctrine, which makes no distinction between the street porter and the philosopher, analytical egalitarianism. By contrast, the oppositional view holds that some among us are different from others. Since “difference” implies “superiority” in the period

¹The notion of “expert” is deliberately left broad here. The key feature of those we refer to as “experts” is that the expert is someone who makes recommendations about how others might achieve human happiness. Depending on the specific context involved in what follows, “experts” may be social commentators, biologists, or political economists. We provide a more restrictive, formal definition of an expert in Chapter 11, so that we can distinguish between an expert’s direction and the advice that flows from “universal experience” by way of proverbial wisdom. In Adam Smith’s account philosophy is a *social* enterprise that begins with universal experience. His proverbial wisdom confirms the advice of financial theorists not to “put all their eggs in one basket.” When “expert” and “proverb” point in different directions, we need to be precise (below, Chapter 11).

we study, we call this doctrine analytical hierarchicalism. Our argument in what follows is that economics moved from a doctrine of analytical egalitarianism in the Classical period, to one of analytical hierarchy in the Post-Classical period.²

The notion of analytical hierarchy was expressed forcefully in economics by F. Y. Edgeworth, who argued that, post-Darwin, it was inappropriate to have a social norm in which everyone counted for one. Instead, Edgeworth held that economists needed to take evolutionary fitness – which mapped to the capacity for pleasure – into account. Since some preferences were “better” than others, these were to count more in the calculus of social happiness.

We argue in what follows that the “science” of eugenics is a consequence of analytical hierarchicalism. In eugenic “science,” “experts” presupposed the subjects were inferior to them, and they proposed to remake the human herd more to their liking, to obtain racial perfection or the “general good,” as Charles Darwin put it. It is no coincidence that in the period when eugenics acquired its name, as well as the analytical machinery purporting to locate “the unfit,” its first, and persistent, target was Classical economics and the early utilitarian presumption that all should count equally in the

²As noted in the Preface above, we prefer the broader term, “post-Classical”, to the more familiar “neoclassical” terminology. On the origin of the term “neoclassical”, see Colander (2001, pp. 154ff); on the transition to early “neoclassicism” – the “Marginal Revolution” – see the collection in *History of Political Economy* 1972. We find the transition entailing the rise of hierarchical thinking, the loss of sympathy and the endorsement of eugenical re-making, infects a broad set of economists, not all of whom would be considered “neoclassical.” In Chapter 4 we argue that traditions within and outside of “neoclassical” economics – the Austrian school scattered by the coming of the Hitler era, as well as the London school and Chicago – revived the presupposition of equal competence.

calculus of social good. The early eugenicists (W.R. Greg and Francis Galton) knew they were contending with the egalitarian doctrine of Classical economics. The key point of contention was whether individuals could be trusted to regulate their numbers sufficiently, or whether individual preferences needed to be overridden in such decisions. One important instance of this contention that we shall consider below, occurred in the public debate concerning unregulated access to birth control. The contemporary report on this debate viewed the matter as a dispute between J. S. Mill for human happiness on the one hand, and Charles Darwin's pursuit of racial perfection on the other (*Times* 20 June 1877, p. 11; see below, Chapter 10).

Plato's *Republic* asked the eugenic question for the first time: why do we breed cattle but not people? Again it is no coincidence that when Galton's eugenic work was first reviewed, it was hailed as the first step beyond Plato (Chapter 6). The question supposes that *we* – the experts – are different from *them* – the human cattle, the subjects. In Classical economics, by contrast, there is no Other because the philosopher, as Smith put it, is part of the analysis. The distinction (or lack thereof) is foundational and has enormous consequences: the Classical view implies that, as a group, the subjects of a theory have the same moral standing and innate abilities as the experts who propose the theories. The hierarchical view places the subject and experts on different moral and intellectual grounds.

For Classical economists, the subject and the expert share moral standing, ability,

and motivational structure. Following in the tradition of analytical egalitarianism, J. S. Mill developed his famous stance on homogeneity in his 1836 *Essay on the Definition of Political Economy*. Here, and in his *Principles of Political Economy* and the *Logic*, Mill maintained that non-systematical differences might be abstracted out when we use the device of “Abstract Economic Man”.³ For the political economist, the common behavioral assumptions of importance are the “assumed” hypotheses of competence as well as non-satiation in the context of a social state:⁴

Political economy does not treat of the whole of man’s nature as modified by the social state, nor of the whole conduct of man in society. It is concerned with him solely as a being who desires to possess wealth, and who is capable of judging of the comparative efficacy of means for obtaining that end. ... It makes entire abstraction of every human passion or motive; except those which may be regarded as perpetually antagonizing principles to the desire of wealth, namely, aversion to labour, and desire of the present enjoyment of costly indulgences (Mill 1836/1967, p. 321).

³We should note at the outset that, for Mill, principles of economics and morality apply equally well to men and women (1869; Chapters 9 and 11 below) so that “Abstract Economic Man” is a misnomer. We retain the phrase as it is the one most readily recognized by economists and non-economists alike. The ungendering of Mill’s language over his life is studied by J. M. Robson in the collation of editions of *Logic*, Mill (1973, xcii-xciii): “The fourth type of variant, that which is verbal, or gives semantic clarity, or reflects changing word usage, is the most common, and is not without importance, especially in cumulative effect. A few, of varying kinds, may be cited in illustration. A frequent change ... is of men to people or mankind (and a man or he to a person) in 1851, a change also found in the 3rd edition of the *Principles* in the next year. [Note to text] One should remember, in this context, Mill’s proposed amendment to the Second Reform Bill in 1867, to replace man with person.”

We have noted (Levy-Pearl 2004) that Smith makes an important distinction between “humanity” and “generosity” on the basis of gender which in turn may express differences in circumstances. On this issue Schliesser 2004.

⁴We add the qualifying phrase on the social state to remind the reader that self-interested behavior, for the Classical economists, entailed sympathy for others that, ideally, meant others would count in self-interested calculations, equally with the self. See Chapter 7 below. In addition, in a social setting an individual might be able to obtain advice from others. See Chapter 11.

The wealth-maximization axiom is selected because it is “the main and acknowledged end” in “certain departments of human affairs” (p. 323).⁵ Wealth-maximizing and labor-avoidance, are *common* attributes of all humanity: those for whom institutions such as slavery or marriage prevent competent, self-directed decision-making, might nonetheless develop this competence if the barriers to doing so were removed (below, pp. xxx).

We pause to note that Mill’s “hypothetical” economic man does not imply that people are motivated *only* by material interests. Just as people are willing to trade material income for leisure so, too, if people are willing to trade material income for praise or praiseworthiness (or to avoid blame), then the economic calculus must take this desire for approbation into account. Smith explained the point in detail in his *Moral Sentiments* and *Wealth of Nations*. Individuals might willingly give up material income in return for the improved reciprocal standing of another group (such as slaves or women). In Smith’s account, this depends upon the ability to imagine yourself in someone else’s position. For Mill, human development is characterized by improved sympathetic judgements which provide the source of moral obligation. So understood, Mill’s greatest happiness utilitarianism is equivalent to the Golden Rule of Christianity (Chapters 7 and 8 below).

⁵Using this “approximation” (p. 323), the political economist “shows mankind accumulating wealth, and employing that wealth in the production of other wealth; sanctioning by mutual agreement the institution of property; establishing laws to prevent individuals from encroaching upon the property of others by force or fraud; adopting various contrivances for increasing the productiveness of their labour; settling the division of the produce by agreement, under the influence of competition (competition itself being governed by certain laws, which laws are therefore the ultimate regulators of the division the produce); and employing certain expedients (as money, credit, &c.) to facilitate the distribution.” (Mill 1836/1967, p. 322).

We shall return to the notion of sympathy and the consequences of its removal from economics in many occasions below.

The foundational assumption that the street porter and the philosopher are essentially the same prompts us to ask whether we all have the same motivations when it comes to uncovering scientific “truth”? In particular, are scholars motivated by the same self-interested desires for fame and fortune as the rest of the population? Since Smith supposes the philosopher is in all respects the same as the street porter, his answer must be yes. Since his time, however, many in the academy have come to presume that scholars are more public-spirited than the rest of the population; scholars are said to seek only (or at least mainly) the truth. We allow that prejudice infects the academy in the area of personal relationships, acknowledging, for instance, that a scholar might oppose hiring a talented colleague because of racial or religious prejudice. Yet we often cling to the belief that the same scholar would be unbiased in the evaluation of *ideas* or *intellectual output* – that he or she would never ignore or disparage ideas for racial or religious reasons. Such a presumption may be the final and most persistent form of hierarchical thinking. In Chapters 5 and 6, we shall examine a case in which the presumption that experts seek only the truth was terribly wrong.

In the period we study, those who opposed the Classical economists’ presumption of homogeneity focused on two purported heterogeneities between the expert and his subject. First, the expert is presumed to be untainted by considerations of self-interest,

while his subject is motivated by self-interest. Second, perhaps because of superior self-control or some other inherent difference, the expert is supposed to be “superior” to or smarter than the subject he studies. And it is important to note that this intellectual superiority is not merely a matter of better information: the expert with whom we are concerned is someone who simply doesn’t trust all subjects, who holds that some will always be hopelessly prone to making persistent mistakes no matter how much we educate, train, and inculcate. F. Y. Edgeworth clearly captured the difference between the Classical egalitarian framework in J. S. Mill, and post-Darwinian ideas which implied that education and other institutional changes would fail to produce the desired social good. In 1881, he wrote that “the authority of Mill, conveying an impression of what other Benthamites have taught openly, that all men, if not equal, are at least *equipotential*, in virtue of equal educatability” would “probably result in the ruin of the race” because it failed to take into account “*difference of quality*” among men (1881, p. 132).⁶ Ours is largely a story about how the category, “inferior subjects”, changes over time: from the Irish, to blacks, to Jews, and so on.

It is precisely this supposition of superiority that Smith opposed, as the “vanity of the philosopher”: such vanity implies the subject is in need of guidance from the expert.⁷

⁶Interestingly, in the light of our claims concerning prejudice above, Edgeworth by 1881 can refer to the equal educatability argument in Mill as “pre-Darwin prejudice” (1881, p. 132).

⁷In Chapter 11 we examine Smith on how proverbs might provide such guidance, and we develop a technical account of how ordinary people might obtain much of the advice they require from the experience of others.

It also implies that the expert will be predisposed to disapprove of (and even disallow) the subject making unfettered choices in a marketplace or in the direction of her affections in the household and elsewhere. As long as the expert maintains that he possesses insight into the sorts of preferences people “should” possess – if they only knew better – he must also accept, and may perhaps even demand, responsibility for directing those preferences until the subjects gain the sort of sophistication that he enjoys. The argument is as old as Plato’s doctrine that the world will not be set right until the experts take charge. We shall argue below that the “science” of eugenics operationalizes this doctrine. By contrast, the Classical economists’ egalitarian notion of homogeneity – motivational and otherwise – and choices unfettered by the direction of one’s “betters”, go hand in hand.

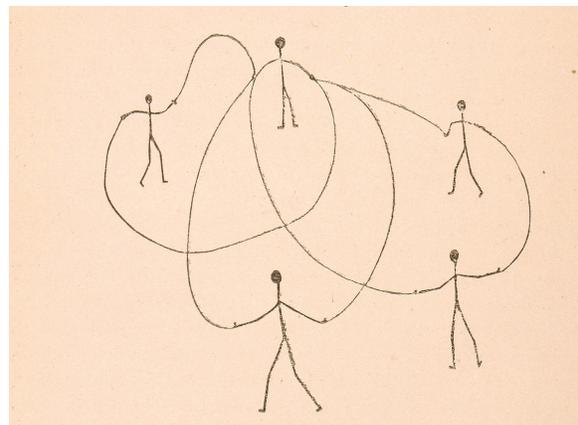
If we bring the expert and the subject of the theory, the ordinary person, to the same plane of existence in terms of motivation, we also need to consider *how* the ordinary person makes decisions. The attack on Classical economics which we study below is a long-neglected example of the self-conscious expert’s attack on the capacity of ordinary people to make decisions.

1.2 What Does Equality Look Like?

It is straightforward to visualize difference – especially, perhaps, inferiority – among people: we all know of images of a beast-like being that are supposed to represent lower orders of humans. Since beasts participate in only a limited way in human rationality, images of human bestiality are powerful assertions of human difference. Images of

bestiality can then be juxtaposed with choice to convey the claim of differential competence. (Chapters 2 and 3 give examples.) How might we represent the economists' assumption of equal competence visually? How can the economists' egalitarian postulate of abstract economic man be represented in caricature? These questions initially startled us when they were put to us some time ago as we presented our work on images of hierarchy and transformation (the subject of Chapter 3).⁸ The immediate response of Supply and Demand curves seemed only partly right, and also somewhat less interesting than some of the visual renderings of hierarchy, racial or otherwise, that we shall see in the chapters which follow.

Visualizing equality is difficult. But late in the nineteenth century, the engineer and political economist, Fleeming Jenkin, took great pains to confront the critics of economics visually. (Jenkin 1887, 2: 150) He



drew a picture of exchange in which the participants are faceless: there is no difference in competence to be inferred from physiognomical differences. Instead, in this delicate, dance-like drawing, the order is circular, each actor in the drama of markets has his or her own goals, and these private goals are revealed in the market order, the spontaneous order. Everyone dances and no one leads: Jenkin's drawing represents the economists'

⁸We thank Dan Hammond for these questions which have long been on our minds. The response of Supply and Demand curves was both our own, and the response of members of the audience.

analytical tool of abstract economic man in the context of exchange characterized by reciprocity and sympathy. Because exchange is voluntary, it is mutually beneficial. There is no hierarchy because no one is in charge and individuals are self-directed.

But the notions of equal competence, Abstract Economic Man, and self-directed trade have always been contested. Early in our period, the attack on homogeneity occurs in terms of racial difference and presupposes unequal economic and political competence. The attack on unregulated sympathy concerned a woman's self-directed expenditure of household resources. As theories of racial heterogeneity were much discussed in British anthropological circles in the mid nineteenth century, attacks on analytical egalitarianism also entered into economics itself, and championed the anthropologists' claim that institutional reform would be a colossal failure because of inherent racial differences in the capacity to optimize. Without a "better" to specify what preferences the subject "should" have, reform would fail.

The failure is said to go beyond a simple disconnect between ends and means, something economists have always studied. If it were simply a matter of mistakes, competent people would learn and make corrections better to obtain their ends. But the failure at issue here is one of transformation. Left to their own devices, humans purportedly deteriorate, become lesser beings.

1.3 How The Debates Play Out

Those who held out for differences in competence, relied on what we call

“transformation” theories, the claim that incompetent economic man required re-making, directions for improvement, along with the claim that, left alone to make his own economic choices, economic man would *devolve* into something less-than-competent, so that re-making in line with the expert’s recommendations was urgently required. Until such a transformation occurred, any appeal to changing conditions, incentives, or institutions, was said to be unfeasible. And as such groups as the Irish, women, or former slaves dared to place their own preferences on the same plane as those of the experts and to step outside the established institutional hierarchy, they were said to be incapable of economic or political self-rule. In Chapter 3 we examine this transformation argument in its literary and visual forms.

As we begin our period, economists vehemently opposed the world-view of Plato and Thomas Carlyle entailing hierarchy and transformation by one’s betters, and presupposed homogeneity instead. By the early twentieth century, many (though not all) economists embraced a view of economic actors entailing i) differential competence linked to race, gender, religion or ethnicity; ii) calls for paternalistic intervention to look after systematically poor optimizers whose preferences could not be trusted; iii) and eugenical re-making. In Chapter 4, we examine the significance of the attacks on homogeneity in anthropological circles, and trace the influence of anthropologists such as James Hunt on the co-founders of eugenics, Galton and Greg. Eugenic thinking explicitly attacked the Classical postulate of homogeneity that characterized the Malthusian

recommendation of delayed marriage. Early eugenicists argued, by contrast, that delay of marriage would be dysgenic because the “foresightful” “improving element” will be outbred by the “more reckless” lower orders (Greg 1875, p. 129). As experiments in eugenics finally confronted the horror the Holocaust, the Classical tradition of equal competence (homogeneity) was revived, at London, Chicago and scattered throughout the Austrian school. Not surprisingly, given the hierarchical characterization focused on intertemporal decision-making, time preference was central in the Chicago revival (Knight 1931, Stigler and Becker 1977). And the anti-hierarchy argument was made even more emphatically, perhaps, by another admirer of Classical economics, Ludwig von Mises (Mises 1949). As the Chicago school revived the Classical doctrine of homogeneity, it also (and by no coincidence) revived the presumption of competence even in political activity.

The mid-century revival of the postulate of human homogeneity differed in one key respect from Classical thinking, and this difference is a major theme in what follows. In the Classical system, the benefits associated with exchange – political or economic – accrue not only in monetary terms, but also in terms of a second, incommensurate, good, “approbation” which is linked to sympathy.⁹ But while equal competence and the presumption in favor of markets were revived at mid-century, the Classical preoccupation

⁹Thus, we take issue with a reductionist representation of Classical utilitarianism, such as that found in Schumpeter (1954) regarding Mill. The assertion that for Mill, pleasure can be reduced only to material well-being, reads Mill through the post-classical commonplace.

with sympathy and the presumption of reciprocity were not. We have already alluded to one result of the removal of sympathy. Since the eugenics movement arose as a negative result of A. R. Wallace's argument – early eugenicists such as Greg argued that “natural selection” ought to trump sympathy (Greg 1868) – we have insight into the transition from Classical to post-Classical economics (Chapter 4). In the triumph of eugenics that accompanied the transition we see the “unfit” becoming “parasites,” removed from sympathy. The enterprise of re-making economic man became a project of physical re-making, one in which, significantly, the expert was placed on a different plane from (superior to) the subject.

This separation of expert and subject leads us also to examine the form of argumentation that governed these debates. How is it that visual and literary representations, apparently, so often fall on the side of transformation theories,¹⁰ while the more analytical arguments are, in the main, non-transformational? This is the subject of Chapter 11 where we examine the informational properties of proverbs or “stories”, the anecdotes of ordinary people. There we find that centered stories, anecdotes, have desirable properties when there is reason to suspect that the theory (or the theorist) is

¹⁰Walt Whitman is an important exception, and reviews attacked his work on these grounds: “To Walt Whitman, all things are alike good – no thing is better than another, and thence there is no ideal, no aspiration, no progress to things better. It is not enough that all things are good, all things are *equally* good, and, therefore, there is no order in creation; no better, no worse – but all is a democratic level, from which can come no symmetry, in which there is no head, no subordination, no system, and, of course, no result.” (“Studies among the Leaves” 1856, p. 17). We plan to address Whitman's role in the debate between Thomas Carlyle and J. S. Mill at a later date.

systematically incorrect. Since a major characteristic of hierarchical theory is that the theorist is in some significant sense different from (better than) the subject, and is tempted by this assumption, there may be good reasons for such suspicion.

Is there any room for “remaking” in Classical economics, and if so, how might it occur? This is the question we address in Chapter 9: Can individuals transform themselves in a context of non-paternalistic, self-directed action? Mill tackled this hard problem in various contexts including the institution of marriage and the abolition of slavery. When we neglect the problem of institutional reform in the context of a competitive democracy, we lose the context in which the analytical machinery of Classical economics was developed. This, too, is the subject of Chapter 9. Mill’s notorious statement of the difference between higher and lower pleasures in his 1861 *Utilitarianism* provides a case in point (1861/1969, p. 211). But the same idea first appears in the 1848 *Principles* when Mill tackles the problem of how people make themselves into competent optimizers. To “civilize” a person, one immerses him in material desires (1848/1965, p. 104, quoted below, Chapter 8). While these material desires might not be approved in Mill’s society, they are critical steps in the development of the capacity for self-reliance. (1848/1965, pp. 104-5).

If people can move to self-government entailing far-sighted concern for their own interest, can they also take the additional step toward concern for others? Materialism is a only a step toward this end. Whether Mill succeeds or fails – authorities are divided –

he points to a real difficulty in the transition between social states: habits which evolve for sensible reasons under one set of institutions such as paternalism, marriage, or slavery, might be counter-productive in another.

1.4 Conclusion

Perhaps not surprisingly in the light of the rise of biological re-making that figures so prominently throughout this book, the possibility of Mill's self-directed sort of re-making was soon to be denied within economics. Mill envisaged an internal re-making that, in the context of experience, discussion, and the desire for approbation, resulted in the recognition of the desirability of political reform and the removal of institutional impediments to reciprocity. But the notion that individuals might change themselves was soon criticized and widely rejected. This denial forms a key part of our story, for it, too, followed as notions of biologically-determined hierarchy entered economics. Coupled with an acceptance of hierarchical difference among individuals in their capacity for optimization, the denial for self-directed remaking implied that intervention in the form of biological and paternalistic experiments would become attractive to economists of the post-Classical period.