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[Introduction to] The Street Porter and the Philosopher : Conversations on Analytical Egalitarianism

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The Street Porter and the Philosopher

Conversations on Analytical Egalitarianism

Edited by Sandra J. Peart and David M. Levy

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1 • Introduction
The Street Porter and the Philosopher Contextualized

What Is Analytical Egalitarianism?

Analytical egalitarianism is our term for the theoretical system that abstracts from any inherent difference among persons. Here is an example from within this tradition, a statement that the argument pays no attention to natural differences.

> [A]ssume that these persons have roughly similar needs and interests, or needs and interests in various ways complementary, so that fruitful cooperation amongst them is possible; and suppose that they are sufficiently equal in power and ability to guarantee that in normal circumstances none is able to dominate the others. This condition . . . may seem excessively vague but . . . there seems no reason for making it more exact here. (171)

We postpone identifying the author in order to spell out why analytical egalitarianism is a useful organizing principle for economists and philosophers alike.

A second, perhaps more familiar, organizing principle for thinking about theoretical systems is the sort of socio-political-economic egalitarianism that advocates a normative goal of equalizing income ex post. In order to distinguish this policy-oriented approach from the analytical approach, we shall refer to this form of egalitarianism in what follows as practical egalitarianism. It is in the context of such a practical egalitarianism that debates over the merits of income transfers from one person to another by political means are frequently conducted. Those who favor such income transfers are typically located on the left of the political spectrum while those who oppose them are generally on the political right. Because the reading public is frequently familiar with the debates over practical, but not analytical, egalitarianism, we often confuse one with the other. And we often think that those who are on the left of the political spectrum can have little or nothing in common with those on the political right. A major theme that emerged from the research presented at the Summer Institute for the Preservation of the History of Economics during its early years, however, has been that in point of fact those on the left and right may share a deep commitment to analytical egalitarianism. Such a shared commitment may align such seemingly politically distant speakers as James Buchanan and John Rawls who, as it turns out, are much closer intellectually *and* in policy space than many of us imagine.[1]

It is therefore fitting that a volume featuring contributions by James Buchanan, edited by those associated with him, begins with a passage from John Rawls's 1958 "Justice as Fairness." Rawls and Buchanan, who are politically at some distance, are nonetheless two key voices in the revival of analytical egalitarianism after the Second World War. It is equally fitting that we conclude the collection with previously unpublished correspondence between Rawls and Buchanan. The correspondence concludes with a letter from Rawls to Buchanan thanking him for a copy of the lecture given as a consequence of his being awarded the Nobel Prize for Economics.

The Forgotten Context of Analytical Egalitarianism

As we read the record, a worldview that abstracts from human differences flourished in the roughly one-hundred-year period bounded by Adam Smith's two great books (1759, 1776) and John Stuart Mill's death (1873). By the time Rawls revived analytical egalitarianism, its historical context had been lost. Rawls put forward recommendations that flow from his view of justice as the "fair" relationship between equals in which all inequalities are justified: "[I]t is also necessary that the various offices to which special benefits or burdens attach are open to all" (1958, 169). But he failed to point out that his recommendations would be satisfied by the view of an equilibrium in a competitive labor market advanced by Adam Smith in *The Wealth of Nations*. Perhaps only specialists in the history of economic ideas know that an equalization of the net advantages of employment was held out as a policy goal throughout the period of classical political economy.

Smith, and those who followed in his tradition, assumed that people were natural equals. Smith's analytical egalitarianism is based on a factual claim of natural equality that is more precise than Rawls's statement above, denying obvious natural inequality. Indeed, at the beginning and throughout much of the nineteenth century, social scientists endorsed the presumption that humans are the same in their capacity for language and trade (Peart and Levy 2005). Observed differences are then

1. Buchanan presented an early version of his "influences" paper at the 2003 Summer Institute: "Influences on My Work." Many in attendance, but not the editors of this volume, were surprised to see John Rawls listed there.

explained by incentives, luck, and history, and it is the "vanity of the philosopher" to conclude, incorrectly, that ordinary people are somehow different from the expert (Smith [1776] 1976, 1.2 § 4).

In Smith's account, competition gives all persons potential access to every position.[2] The notion of equilibrium allows us to abstract from random events and to allow for time to make adjustments. From these assumptions we obtain Smith's famous theorem that the net advantages of employment are equalized in a competitive market. Of course, pecuniary gain is not equalized but all pecuniary differences are compensated. One of the compensating factors is the approbation that results from employment in different occupations. We shall have much to say about the desire for approbation—sympathy—throughout this collection.

What might be appropriate treatment for a person who has been subjected to a sequence of unhappy random events? Smith worried about this possibility in his statements about the unfortunate lot of beggars and prostitutes, but he had nothing other than economic growth and private charity to recommend. Later writers in classical political economy proposed what we now call a social safety net, a guaranteed minimum existence with sufficient strings attached to attenuate moral hazard. Part 1 of this volume, "Politics, Markets and Equality," examines contemporary and classical economic policy with an eye to whether or not markets serve to effect economic reforms and practical equality. Here the conversation between Warren Samuels and James Buchanan in chapter 2 is most interesting; although both endorse analytical egalitarianism, the two scholars come to very different conclusions about the efficacy of democratic politics to effect reform. Acknowledging that Samuels is no "social-welfare maximizer," Buchanan points to the "hard question": "[T]he world's out there; it's a complex set of interacting people and institutions and behavior and everything else going on and . . . social science, generally, or economics, in particular, has a hard time getting a handle on how to look at that world. . . .We're looking almost necessarily, it seems to me . . . we're looking at that world from a window, a perspective, a predisposition on the way to look at it." Samuels adds that the real question that separates them is "whether we privilege the existing law or the opportunity to change the existing law." In Samuels's view, exchange pre-

2. This, of course, leaves aside the issue of those who are not included as "persons." The 2006 Summer Institute was much preoccupied with this theme, considering Mill's work to obtain the franchise for women. In fact, that year's Summer Institute T-shirt features an 1867 *Punch* caricature of Mill captioned "Pray clear the way there for these—a—persons." *Our* T-shirt caption reads "We Are All Persons Now."

supposes a distribution of rights and power: "If you want to talk about the rights structure of whose interests count, you should be doing that because that's this power structure within which trade takes place. And that power structure, in part—the part that I'm interested in at any rate—is legal rights, and legal rights come about in different ways. Whether you want that or not, whether you like it or not, that's the way it is." Hence the concern with the status of the status quo.[3]

One might well suggest that Rawls is a philosopher and, as such, he is correctly careful not to trespass on the discipline of economics.[4] This book provides a great deal of evidence to suggest that such demarcations—across time or space—are unhelpful. In economics, there is a familiar proposition from general equilibrium theory that if one market is out of equilibrium others must be as well. We argue here and elsewhere (Peart 2004; Peart and Levy 2005) that ideas and interpretations are similarly interrelated. If we do not understand how the classical economists, qua economists, analyzed a competitive equilibrium among natural equals, we will not be able to appreciate their work qua moral theorists. Rawls is careful to point out that his view of a just society requires a recognition of others as persons "with similar interests and feelings as oneself" (1958, 182). But if the desire for approbation from one's fellow creatures is part of the working toolkit of classical political economists, then it will be in their toolkit when they operate as moral philosophers. The desire for approbation recognizes that there is something that others, insofar as we regard them as our equals or peers, have to give us that differs from material goods.

The story that unfolds in this collection, however, is that both analytical egalitarianism and the reliance on sympathetic judgments were overthrown sometime after 1850. Thereafter, as the contributions to this volume by Peart and Levy and Leonard attest, notions of race and hierarchy came to infect economic and social analysis. The book sketches out some disastrous consequences of the transition to hierarchical thinking, and it makes the case that political economy in the classical tradition *rightly* presupposed human homogeneity and *rightly* rejected hierarchical presuppositions of any sort. Hence we celebrate the contributions by Buchanan and Rawls, who, we suggest, *rightly* helped revive the analytical equality presumption in the twentieth century.

The questions at issue between analytical egalitarians and their crit-

3. Buchanan presented the paper entitled "Status of the Status Quo" at the 2003 Summer Institute. References to Samuels's contributions are provided in the chapter 2.

4. We shall have more to say about this in our comments on the Buchanan-Rawls correspondence in chapter 19.

ics are whether everyone's preferences count equally and whether everyone is equally capable of making economic decisions.[5] 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. Since Smith is so important to our story, part 2 is explicitly concerned with "Smithian Themes." Here we take up the role of sympathy and the market in Smith, the nature of Smithian policy regarding the laboring poor, and, of course, the nature and significance of Smith's "invisible hand."

By contrast, the oppositional view holds that some among us are different from others. Since "difference" implies "superiority" in the period we study, we call this doctrine analytical hierarchicalism.[6] Difference may be within the public—as races or ethnic groups—or between the public and its advisers, the economic "experts." Part 3 therefore attends to the significance of the nature and role of experts in society. 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 was 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.

Since the attacks on analytical egalitarianism were mounted from

5. The notion of the "expert" is deliberately left broad here. The key feature of those we refer to as experts is that they are people who make 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 Peart and Levy 2005 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.

6. We prefer the broader term, *postclassical* to the more familiar *neoclassical.* On the origin of the term *neoclassical,* see Colander 2001, 154ff.; on the transition to early "neoclassicism"—the "Marginal Revolution"—see the collection in Black, Coats, and Goodwin (1973). We find that the transition entailing the rise of hierarchical thinking, the loss of sympathy, and the endorsement of eugenic remaking infects a broad set of economists, not all of whom would be considered neoclassical. In Peart and Levy 2005, 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.

outside economics—in literature, anthropology, and biology—part 4 examines the relationships among literature, biology, and economics. F. Y. Edgeworth 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, 132).[7]

It is precisely this supposition of superiority that Smith opposed as the "vanity of the philosopher"; such vanity implies that the subject is in need of guidance from the expert.[8] 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 his or her affections in the household and elsewhere. As long as experts maintain that they possess insight into the sorts of preferences people "should" possess—if only people knew better—they must also accept, and may perhaps even demand, responsibility for directing those preferences until the subjects gain the sort of sophistication they enjoy. We suggest in this volume 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.

Famously, Rawls objected that "classical utilitarianism" might have been used to justify slavery to the extent that slavery was a more efficient social system than free labor (Rawls 1958, 188). Rawls is, of course, careful to point out that it would be an "absurdity" (188) to think that the classical utilitarians actually made such an argument. But he fails to realize that his general statement against utilitarianism *is* a fair representation of F. Y. Edgeworth's neoclassical utilitarianism in which, in fact, Edgeworth *does* mount a utilitarian defense not of slavery but of eugenic policy. For Edgeworth, this was a way to replace low-capacity people with high-capacity ones to maximize social utility. It is important to realize that Edgeworth vigorously objects to the egalitarianism of the classical writers, Mill in particular, for whom everyone "counts as one." Classical utilitarianism is based on counting—decisions are made on the

7. Edgeworth calls Mill's equal educability argument "pre-Darwin prejudice" (1881, 132).

8. In Peart and Levy 2005 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.

basis of majority—and the only way that doctrine has normative weight is if something akin to sympathy restrains the stronger from grabbing. And, of course, the slavery that most incensed the classical utilitarians was simply the grabbing of a weaker person by a stronger.

The Conversations

We now turn to the essays in this collection. We begin with the sequence "Politics, Markets, and Equality," which opens with what is arguably the most important twentieth-century conversation on the nature and significance of analytical egalitarianism to policy analysis—that between James Buchanan and Warren Samuels on the role of government. If society is composed as equals, then, as Buchanan has argued, reform and government might be conceived of as exchange. The social contract is the ratification of exchange. Here, as J. S. Mill held in the nineteenth century, the status quo constitutes a starting point for reform and reform requires compensation. On the other side of this, if power is unequally distributed in society, we have Samuels's insistence that exchange occurs on an unequal footing or not at all.

Continuing on with the role of government, David Levy and Sandra Peart examine the classical origins of Buchanan's government as exchange, emphasizing the role of sympathy in the classical theory of economic policy, the sympathetic process that helps both to motivate and to constrain economic policy as a type of exchange. Samuel Hollander examines Marx's analysis of transitions from one economic system to another when the individuals (and policymakers) who inhabit those systems are equally self-interested. He proceeds to highlight some common ground relating to market processes between Marx and Engels and the modern "classical liberals," Mises and Hayek. Eric Crampton and Andrew Farrant revisit the socialist calculation debate in the tradition of Buchanan and Hume's worst-case political economy. Rather than questioning the information or knowledge available (or otherwise) to economic planners or other public choosers, Crampton and Farrant focus on worst-case motivational suppositions: private and public chooser alike are Homo economicus always and everywhere. The authors argue that worst-case theorizing about government à la Buchanan necessitates adherence to a principle of motivational homogeneity or symmetry: private and public chooser alike are modeled as pursuing their private interest. Failure to model private and public chooser symmetrically will, of course, unduly bias one's analysis in favor of private or public choice per se.

Not unsurprisingly, since, as noted earlier, Adam Smith is perhaps the most famous forceful proponent of analytical egalitarianism, part 2 is entitled "Smithian Themes." We begin the section with a provocative selection from Deirdre McCloskey's new book, *Bourgeois Virtues,* in which McCloskey celebrates the Smithian propensity to "truck, barter, and exchange." She defends the capitalist system as a system of fair exchange. Rather than corrupting bourgeois life, as is the fashion in some circles to suggest, McCloskey holds that Smithian self-interest is essentially fulfilling, productive, and cooperative for "the capitalist system provides a field in which ordinary people can exercise their abilities harmlessly." She points out how poorly noneconomists among the self-declared intellectual élite understand that fair exchange is a positive-sum affair. Perhaps the actions of the American rich, who give away the wealth they struggled to acquire, vividly described by McCloskey, are exchanges of another sort, attempts to obtain approbation. This is an ill-understood exchange. One hundred and fifty years ago J. S. Mill wrote that if a rich British person attempted to follow this admirable American practice his relatives would have him declared mad.

As we have come to more fully appreciate the role of the cooperative element in Smith, a natural question follows. Why has Smith's emphasis on sympathy been so neglected? Leonidas Montes tackles this question by examining how the separation of Smith's two great works, *Wealth of Nations* and *Theory of Moral Sentiments,* occurred, a puzzle widely known as Das Adam Smith Problem. Montes argues that the economic hegemony of Great Britain played an important role in shaping the reception of Smith in Germany as the founder of the school of self-interest and laissez-faire. Warren Samuels introduces us to his project on what is possibly the most famous of all Smithian themes, the invisible hand. The invisible hand is frequently invoked as the equilibrating mechanism that facilitates the attainment of wage equality, alluded to earlier. Samuels shows us just how deeply and broadly the phrase is ingrained in economic discourse today. Maria Pia Paganelli examines how Smith's position on usury makes sense in the context of a moral philosophy that acknowledges systematic bias and, as a consequence, prefers a middling estimate. Eric Schliesser argues for a sort of "practical egalitarianism" in Smith with the suggestion that the analytical core of the *Wealth of Nations* aims at aiding large numbers of working poor.

If the presumption that we are all the same has any claim to analytical teeth, then a question arises: what is the role of the expert in an economy?[9]

9. William Easterly put this question to us when we sent him a copy of our book (Peart and Levy 2005).

This, too, has been a recurring theme at the Summer Institute, and we devote part 3, "The Role of the Expert," to it. Here a contribution by Sandra Peart and David Levy examines how, historically, the expert economist has been exempted from the presupposition of analytical egalitarianism by those who opposed the classical economists' presumption of homogeneity. The expert was presumed to be untainted by considerations of self-interest while his subject was motivated by self-interest. Second, perhaps because of superior self-control or some other inherent difference, the expert was supposed to be "superior" to or smarter than the subject he or she studies. Andrew Farrant reexamines Frank Knight's political critique of planning with an eye on the expert, arguing that Knight's critique of planning is predicated on a worst-case logic that anticipates public choice arguments concerning the motives of planners. According to Farrant, Knight recognized that the incentives in "planned" economies were such that planners, like the rest of us, was self-interested. M. Ali Khan attempts to untangle the role of the expert in a free society as he reads *The Road to Serfdom* some sixty years after its publication. In this attempt, Khan identifies a need for (arbitrary) judgment beyond some threshold of analysis as a result in part of the impartial and local knowledge of any so-called expert. Juan Pablo Couyoumdjian focuses on the problem of hiring a foreign expert when advice seekers have imperfect knowledge. As long as advice seekers are unable adequately to determine and screen the most relevant attributes of a potential expert, their decision will involve nontrivial risks. In Couyoumdjian's view, this was the predicament faced by advice seekers in nineteenth-century Chile.

Much of the resistance to the classical economist's presumption of analytical homogeneity resided in other disciplines, notably anthropology, biology, and literature. It is therefore appropriate to include a section in the book on "Literature, Biology, and Economics." Rather than include what are becoming widely known discussions of the attacks on economics by literary figures, we begin the section with a call for something of the opposite. Tyler Cowen defends the notion that we can gain from trade and the relevance of fiction to social science investigation. He suggests that novels are more like economic models than is commonly believed. Some novels present verbal models of reality, while others might be something like a simulation akin to how simulations are used in economics.

In the account of Peart and Levy, the opposition to economics in Britain occurred largely as a result of the attacks on the presumption of human homogeneity from biology. The authors trace the opposition to race-blind accounts from Thomas Carlyle to the cofounder (with Francis Galton) of eugenics, W. R. Greg, and then to James Hunt and the Anthropological Society of the 1860s. Early eugenicists' characterization of race influenced economic analysis in the postclassical period. Next comes a contribution by Thomas Leonard that takes the history of eugenics to America. As he attempts to fill a gap in the history of eugenics and Progressive era American economics, which have so far been separate and seemingly unrelated entities, Leonard shows how American eugenicists supported policy interventions such as minimum wage legislation in order to "thin the herd" and get rid of inferior workers. By contrast, Gordon Tullock's reflections on economics, sociobiology, and sympathy find common themes where historically there has been much opposition. These are precisely the confusions that arise when simple-minded right/left labels are applied to policy analysis without much real information: the view that "progressive" economics must be unrelated to eugenic thinking is simply incorrect. Moreover, those whose presuppositions lean toward the dismissal of the "Chicago School" as simple-minded right-wing politics might be surprised by our history: the analytical egalitarian arguments that were revived by Chicago, the London School of Economics, and the Austrian School provided a key means by which economic analysis may be insulated from eugenic or otherwise hierarchical analyses. Such was the importance of the Rawls-Buchanan attempt to revive and operationalize analytical egalitarianism.

And so we return to the Rawls-Buchanan connection. Part 5 lets the theorists speak for themselves. Readers who have made their way through this introduction will perhaps come to appreciate why the conversation turns, early on, to a comparison of Rawls and Adam Smith. They will also, perhaps, no longer be surprised to read in Buchanan's words that (jointly with Geoffrey Brennan) he has been working on "some very interesting Rawls-like applications to normative tax theory" and that he characterizes himself as developing "the spirit of your [Rawls's] original position" in such a way as to "offer a good response to some of your critics."

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