

RACE, ECONOMICS & LIBERALISM

I. The Changing Liberal Tradition Within Economics & the Transition from Classical to Neoclassical Economics:

A) Political Liberalism and Political Economy:

Liberalism, as a political philosophy that argues that the polity should be organized so as to allow for the full and free development of the individual, is closely tied to the rise of political economy. Indeed, viewed in the light of the political theory of liberalism, political economy is an applied political theory -- the theory of liberalism itself. This history gives the history of political economy its motive force, even as it explains the virulence of its debates. For example, the vehemence of the rejection of Marxism is due, in part, to his undermining liberalism as a viable political philosophy under modern industrial conditions. One reason for the success of John Maynard Keynes was that he claimed to have been able to diagnose and resolve some of the outstanding problems of political economy while, he claimed, maintaining intact his commitment to the political philosophy of liberalism. Some of the vehemence of the attacks on Keynes and Keynesian economics can be traced to a pre-analytic fear that his proposed policies were not really founded on a commitment to liberalism or, if enacted, would undermine the state's commitment to political liberalism. To those who equate free markets with freedom as interpreted by political liberalism, Keynesian economics is perceived to be one of the greatest threats because its value system is so close to the

value system of liberalism as this word was understood by the great liberals of the Eighteen and Nineteenth Centuries.

It is within this long-standing link between political economy and liberalism, again defined as the full and free development of the individual, that the matter of race enters our story. For some prominent political philosophers and political economists, such as John E. Cairnes and John Stuart Mill, the incorporation of blacks into the conversation of liberalism broadly defined was not that problematic -- they were to be accorded the basic rights of property-owners and citizenship and allowed to compete in the market-place.¹ While Mill never did pen a treatise on the rights of blacks, it would not be outlandish to surmise from what he did say, and his position on the status of women, that he felt that integration into the institutions of the market economy would be to the benefit of blacks and the larger society.

It is sometimes overlooked or forgotten that political liberalism did not emerge, like Venus, fully formed from Zeus's brain. Rather it emerged in a specific historical and political context. Specifically, liberalism emerged out of the resistance of the large landowners of what we now call Great Britain to the absolute powers of the King John. In the history of philosophy, John Locke plays an important role in this transformation in which the rights of man are associated with his right to life. Locke tells us that each of us has God-given duty to protect His greatest gift to us -- which is our own life.

¹Before I continue, I want to note that I fully understand that persons such as John E. Cairnes and John Stuart Mill evidence, or at times indicated a belief in, certain stereotypes or notions that we would today label "racist." However, I believe that the analysis can be taken further, and more fruitfully pursued, if we keep within the spirit of Hannah Arendt's distinction between "garden variety" racists, and racists who are more vicious. In this essay we will take someone to be a racist who draws upon their analysis of the difference between races to call for the institutional marginalization and/or suppression of persons of another race, or who shows enthusiasm for such a result. "Garden Variety" racists will be those who may have an unfortunate, misinformed, or derogatory, stereotype concerning the difference between the several races, but is willing to allow people to be treated equally as economic and political agents despite these regrettable beliefs. The sad truth is that almost all intellectual figures of the Eighteenth, Nineteenth, and much of the Twentieth Centuries, held at least the latter position. Hence this discussion is really about the interaction between two varieties of racist thought, but we would submit that the former is dangerous in a qualitatively different way.

Moreover, we know this by "Reason and Revelation" each of which are also a gift from God. From our individual right and duty to protect and further our individual life, Locke deduces a right to private property and locates the origin of civil society in our collective need to defend and maintain our right to property, and right which is founded in our own labor, which is itself thought to be an extension of our own direct will. Of course, this displaces the origin of civil society away from the King and towards the consent of the governed. This was, and in many ways, remains a radical political idea. Elites have always and everywhere presumed, with Louis XIV that "l'etat, c'est moi", and have ever thought to rethink the groundwork of political liberalism. The struggle for the political legitimacy of elites will, ideally never be resolved, because if it is, it will indicate that either elites have truly become gods, or the people have forfeited their rights, I fear that the latter is the most likely outcome.

While it may have taken another two or three hundred years for this germ of an idea, the idea of political liberalism, to be extended, however imperfectly, to all persons, including religious and racial minorities and women, Locke's idea certainly represented the beginning of a lasting political idea. However, it should be noted that this was an idea that was static neither in its conception nor in its application.

B) Classical Economics: A Political Tradition of Anti-Aristocracy

With end of the Cold War, and the euphoria experienced by American political and economic elites with the demise of the U. S. S. R., the age-old debate of political economy was recast as a debate over the idea of markets versus socialism. Indeed, the rhetoric of the early 1990s featured little else. But to assume that the liberals who made up the school of Philosophic Radicals, would have shared that conception would be to make a significant historical error. On the contrary, the issue of their day was a contest between the competing principles of Aristocracy and Liberalism. To read the works of

Adam Smith, the parliamentary speeches of David Ricardo, the tirades of James Mill, and the more nuanced writings of John Stuart Mill is to read an extended record of the contention of political liberalism that everyone has a right to free and full self-development as individuals, against the older, and in that era, more widely accepted notion, that there was a traditional, even natural, political order on earth that ensured the rule of the landed classes which, moreover, was the only plausible bulwark against political anarchy as witnessed in the Terror that followed the French Revolution.

In opposition to this principle, the Eighteen-Century liberals argued that the natural world featured a natural balance-of-power that was not very different from that that Sir Issac Newton proposed was characteristic of the heavens. The idea was that the social world also featured the self-ordering principles that could be uncovered by reason, a reason that was innate to man if was to take a careful and disinterested approach to the problem: much as the Philosophical Radicals fancied themselves to be uniquely capable of (Becker 1932).

The Self-Ordering principle, as applied to the social sphere, implied that there was no need for God's representative on earth (the King & the Aristocrats) to order the affairs of man (Becker 1932). In this sense the challenge of Hobbes that supported the idea of a total monarch is undermined and translated into the political order proposed by John Locke. It follows that the what we today perceive to be a debate between ideologies of the Market vs. those who opposed markets was, properly understood, a politics of Aristocracy vs. Anti-Aristocracy. The debate between Thomas Carlyle, John Ruskin and the liberals will be more fully understood once it is interpreted in this light. Notice, in light of their lack of representation, and political inconsequence, the working class was not considered to be a serious participant in political affairs. In the matter of day-to-day politics, their best option was to be disruptive, as was noted by such figures as Adam Smith (1776, Bk I, ch. 8) and Thomas Carlyle (1843). It follows then that

to the extent that southern plantation owners were aristocrats, the classical economics were inclined to attack them -- and they did (Cairnes 18xx).

But this left them with a sense of "structures/complexity" within the economy.

Yes, there were clear trends and tendencies, but the idea of rapid adjustment to an equilibrium point was not their approach.

Classical political liberalism, esp. the radical politics of J. S. Mill (On Liberty; Utilitarianism; Feminism, Anti-Slavery, Gov. Eyre controversy, Corn-Law Debate).

II. The "Victorian Sages" : Carlyle, Ruskin and Dickens:

Carlyle, Ruskin and Dickens are often put together analytically to describe an anti-capitalist moment in Victorian-Era writing. Of these, Carlyle and Ruskin were more vocal and direct as critics of capitalism, and evoked an earlier era wherein people had more sympathy and care for their fellow man -- the era of feudalism. In this sense they were in fact reactionaries.

On the other hand, they have been upheld for their public support for the concerns and causes of British working men. Carlyle openly endorsed the more moderate of the Chartists, and Ruskin also argued that the working man was treated poorly under modern conditions.

Dickens was certainly sympathetic to the writings and issues raised by Carlyle and Ruskin. His dedication of *Hard Times* to Carlyle is taken as evidence of this. Yet, he is more difficult to place because he did not actually write a treatise or even a pamphlet, on social science. We do know that he often depicted the working men (and child -- Oliver Twist) in a sympathetic light, and attempted to explore the psychology of a poverty that can turn a good child into a participant in criminal acts (*Oliver Twist*; *Hard Times*). We also know that he was opposed to slavery and the arrogance of the slave-holding south.

III. Neoclassical Economics:

Classicals played down this sense of structures, with more attention to the individual, an individual who has choices and maximizes individual utility. In this sense, individualism gets more attention, classes and structures get less attention. This can, of course, be overdrawn in light of modern neoclassical theory.

But if individual virtue and reward play an important role in market & social outcomes....and if blacks do consistently poorly, especially in a post-emancipation world, then it follows that blacks are either *unable or unwilling* to achieve under modern market conditions. Deductively speaking, the inference can only be that they are congenitally lazy or stupid. The early statisticians took it upon themselves to measure what they took to be an obvious point, that blacks were stupid. In a world that embraces Social Darwinism as a social ethic (Spencer 1874, 1879), it appeared obvious that blacks were, as a group, a laggard race, one that the world would do better without.

IV. Modern Liberalism:

At the turn of the Twentieth Century, Liberalism began to take another turn. Depending on the historian one reads, various events in the United States and Great Britain, such as the emergence of the franchise, the beginnings of organized feminism, etc., are considered the source of these changes.² Important figures such as T. H. Green, T. H. Marshall. At the same time, numerous figures within the American Progressive

²Several wonderful, and a few "classic" books explore this change. Classics include, George Dangerfield, Robert Weibe and Sidney Fine. More recent, but very compelling books include Daniel Rogers, Elizabeth Sanders and Theda Skocpol,

movement, including many economists of prominent academic standing (J. B. Clark; H. R. Seager; etc.), started to argue that under some conditions, the free market could itself become a constraint on liberty and for that reason the liberal project would have to consider what reforms would be required to extend liberty to the private sphere of the free market. Laws such as workplace health and safety, maximum hours legislation, and minimum wage legislation began to be featured as part of the liberal project.

Some liberals, who we will term "Classical" or "Nineteenth-Century" Liberals, objected to this extension of the liberal project. In keeping with the political and philosophical tradition of Wilhelm von Humboldt (1854) and John Stuart Mill (1859), Classical Liberals understand that, with few exceptions, the purpose of Liberalism is to protect the sphere of private life, including market relations, from the grasping hand of the state.³ Regrettably, some of the parallels between the various incarnations of liberalism have been lost in the partisan acrimony that inevitably emerges between representatives of the different groups. Some, such as Milton Friedman, echo Joseph Schumpeter's sentiment that "anti-liberals" have paid liberalism the dubious compliment of appropriating their name (Friedman, 1953, 5; Schumpeter, 1954, 394). But this fails to appreciate the continuity between these traditions. The issue at hand is of a more theoretical nature, namely, is it the case that a free market economy can develop concentrations of power that can fundamentally limit the life-choices and free development of the individual that liberals of all persuasions cherish. For their own part, Modern Liberals have also limited the discussion through the use of degrading labels in the course of political debate. Terming classical liberals "Reactionaries" or "Racists" is not a move that is designed to advance the discussion in a direction that will assist in a deeper understanding of the difference between their approaches.

³Some classical liberals, such as Henry Simons, supported rather extensive state action to limit the growth of monopolies, both of firms and of labor (Simons 1948, chs. 1-5). Others, such as Joseph Schumpeter, famously argued that private-sector monopolies would be a minor problem so long as the basic institutions and incentives of the free market system remained (Schumpeter 1950, chs. 5-8).

VI. Liberalism and Race:

A. Classical Liberals & Race:

In many important ways, the parallel issues of race and gender bring out some of the key difference between the two strands of the liberal tradition. The reason is that a widespread adherence to racist or sexist attitudes can strikingly limit the options available to formally free individuals without the direct support of state action.⁴ The question then, that divides these two strands of liberal theory, is what is to be done in the case of widespread adherence to racist or sexist ideologies.

In the case of Classical Liberalism, the answer is to ensure that the state's role is minimized and that people are free in their private actions, both as political and economic agents. In this view, the stern winds of competition will erode the belief in the inferiority of certain persons because in short order their visible success will set aside as clearly ill-founded the racist beliefs of those who would denigrate them. The case of "model" minorities such as Jewish, or Chinese-Americans or increasingly, Indian-Americans are held up as examples of rapid assimilation and success through self-help and the market (Sowell 19xx, 19xy).

Matters become more complicated and the debate becomes more contentious when Liberals of a classical persuasion explore the reasons behind the widely-accepted fact that, as a group, African-Americans have not experienced the same degree of success, and what success that have enjoyed has been rather slow in coming.

Essentially, two answers to this seeming conundrum are offered, with rather different

⁴Regrettably, in the event that society features largely democratic institutions, and racists and/or sexists are in the majority, state actions and legal decisions will often extend, amplify, and instantiate these attitudes in the form of government codification of widespread social prejudices. The literature on this is extensive. Personal favorites include Leon Litwack (1998) and Alice Kessler-Harris (1982),

political implications. One argues that the failure, taken as a group, to succeed is a result of a culture of victimization. It maintains that the attitude of black Americans, while understandable and to an extent, legitimate, nevertheless represents something of a holdover from an earlier, more prejudiced era and, in any event, it is a self-defeating ideology that saps the energy of young blacks and diminishes their willingness to overcome obstacles and challenges (Steele 1991). Sometimes it is argued that this retrograde belief still lingers because it is constantly reiterated and insisted upon by an increasing intolerant and self-serving "civil-rights establishment" that has a vested interest in the idea that blacks are still victims of an overwhelming and debilitating racism (Steele 1998).

Another stand within classical liberalism presents a more dangerous interpretation of the lack of black achievement. As can also be seen in the paper below by Sandra Peart and David Levy (2001), it has a long association with the mainstream of economic thought and initial emergence and development of scientific statistics in the disciplines of social science.⁵ In this latter view, the lack of black achievement must say something important about the quality and ability of black persons *qua* persons. The logic runs as follows: modern society is largely a free market system; the free market rewards ability and effort and punishes inability and lack of effort; taken as a group, blacks have failed to achieve; blacks must be either incapable of, or unwilling to, achieve success. Notice that this perspective bears some relationship to the sketch of the "neoclassical" position as presented above because of its emphasis on the close linkage between individualism and economic achievement and its tendency to deny or denigrate the importance of structures and institutions in the wider economic and social

⁵One of us (Prasch) likes to introduce "statistical literacy" into his Principles of Economics courses. As such, I have been using Darrell Huff's wonderful little book, *How to Lie with Statistics*, for years. To motivate student interest in the topic, I like to have the students write a short paper in which they have to rummage through the copious statistical literature of the 1880-1930 for examples of published statistics that features one (or often more) of the statistical fallacies or lies that Huff describes. The assignment is always a success.

sphere. People who argue for this perspective typically resist the monitor of "racist" and proclaim themselves to be "realists" who are not afraid to survey the "facts" and present them in a clear-eyed fashion. And, indeed, to resist or critique their thought often requires a willingness to go past the simple presentation of the empirics of income, IQ tests, and achievement on other standardized tests to a more "structural" explanation of relative black underachievement in modern society.

A recent and prominent example of this line of thought was presented by Richard Herrnstein and Charles Murray (1995). Their book roughly followed the line of thought sketched above and was met with a rather wide measure of hostility from social scientists even as it sold rather well for a book full of reports of statistics and regression analyses. One suspects that there was something of a ready, if closeted, audience. Again, this book simply worked from a premise that in a free market system, if ability was normally distributed across each race of persons, and the mean intelligence and effort of each race was the same, that incomes such show a normal distribution with equal means. Since the data do not support this, and other indicators on standardized tests show blacks doing poorly, the authors concluded that blacks were, as a group, less intelligent. As persons who proclaimed their commitment to individualism, and treating everyone as individuals, they professed to not be that troubled by the result, other than to call for a society made up of simpler rules and norms (such as free market prices) in order to facilitate the integration of the less-able among us into mainstream life (Herrnstein and Murray 1995).

B. Modern Liberals and Race:

As noted above, both groups of liberals are committed to the idea of the full and free development of the individual as the end of a good society. Disagreements exist between the two groups over the degree to which a free market can bring about such a

result. Modern Liberals argue that under some conditions the exercise of private economic power can be as debilitating as the exercise of government sanctioned power (cf. *The Folklore of Capitalism*). In such cases, the state should step in, not to eliminate the market as a sphere of private self-seeking, but more to place limits on the use of economic power (Levine 1988; 1995; Galbraith 1996; Prasch 2001).

As is undoubtedly well-known to the reader, the group that I have labeled "Modern Liberals" have a very different perspective on the analysis, importance, and resolution of, racist and sexist attitudes in society. In their view, such attitudes can become embedded in the structure and performance of markets and thereby fundamentally change the life-chances and life-choices of all but a lucky few who happened to succeed anyway, perhaps due to singular ability or special circumstances. As Congresswoman Bella Abzug was once reported to have quipped, "We will know that equality has been achieved not when outstanding women get promoted into good positions, but rather when a mediocre woman has the same chance of promotion as a mediocre man" (ref??).

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