

THE POLITICS OF INEQUALITY:  
A POLITICAL HISTORY OF THE IDEA OF ECONOMIC INEQUALITY IN  
AMERICA

by

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A dissertation submitted to the Graduate Faculty in Political Science in partial fulfillment  
of the requirements for the degree of Doctor of Philosophy,  
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ABSTRACT

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The present work charts the devolution of the discourse on economic inequality in American thought and is an attempt to discern the political course of these ideas. The thesis is that the discourse against economic inequality in American political thought has eroded slowly over the course of American politics. Whereas economic inequality was intensely critiqued in the beginning decades of American political and social thought—as capitalism developed and began to create modern economic life as well as rigid social divisions—its radicalism and intensity began to wane once a liberal-capitalist consensus was established during the New Deal era. Contemporary ideas about inequality largely lack an inspiration toward radicalism not simply because of a strong sense of American liberal ideology, but also because the nature of the economy and its effects have become largely de-politicized.

This work traces what I call America's economic "egalitarian tradition" which emphasized the importance of politics over that of economics, seeing that the new economic society that capitalism was creating in America was decidedly against the political impulses that created American political and social life. This anti-aristocratic discourse had a concrete referent in the way that wealth was monopolizing itself,

recreating what many of the radical social critics of the early nineteenth-century referred to as a new feudalism.

But the late twentieth-century would see the rise of a conservative assault on this egalitarian tradition. This would come in the form of liberal economic thinkers like Friedrich Hayek and Milton Friedman. Their arguments in support of liberal individualism, the minimalism of the state and its absence in economic affairs, and the conflation of political liberty with economic liberty, meant a transformation of the discourse of inequality in America toward one which would de politicize economic inequality and would also begin to sow the seeds for a kind of legitimization of economic divisions based on the idea of liberal individualism. The American economic egalitarian tradition therefore becomes undermined by the radicalization of economic liberalism itself as well as a deepening culture of possessive individualism.

ἰσότητα δ'αἴρου καὶ πλεονεξίαν φύγε.

—Menander

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## INTRODUCTION

### **The New Inequality and the End of History**

What is the political significance of economic inequality? With what moral wrongs does it resonate? In what ways does the existence of economic divisions in society threaten or put into question our conception and culture of democracy? Throughout history, we find injunctions against unequal divisions of property, wealth, and power. It is certainly no radical claim to say that the final decades of the twentieth-century witnessed a radical transformation in American economic and political life. The great reaction against the welfare state that was erected during the New Deal and had its roots in the Progressive era's philosophy of an expanded state and a skepticism of the market, has given way to a new conceptualization of economy and society. The present study examines economic inequality as it was conceived by political thinkers throughout American political thought. In the first instance, it will trace the historical development of the ideas that American political thinkers and critics held concerning economic inequality. Its second aim is to explain the current acceptance and toleration of economic inequality in America; to examine the change in political ideas and values that have led to the legitimation of economic divisions and inequalities that mark the end of the twentieth- and beginning of the twenty first-centuries. American political thought has been characterized over the centuries by a overriding concern with the problem of economic inequality and the reason for this should come as little surprise. Students of American political thought and political theory know the Enlightenment foundations upon which the American political project has always rested. Rooted in the political

concern for equality and for democratic republicanism, it has also been marked by a liberal economic ethos and the rapid development of a capitalist economy, class conflict and competing views of the “public good.” The clash between these two faces of American political history occurs frequently. Perhaps the most salient historical locus for this clash is the subject of economic inequality.

Although the concern with economic inequality has hardly faded from the public discourse, it certainly no longer commands the attention it once did. The question “should inequality matter?” has become a common one in contemporary debates about American public and economic life. Economic liberalism has provided arguments for justifying inequality just as contemporary political culture also seems to tolerate economic divisions more than at any other time in American history. In the not too distant past, the realities of economic inequality spurred moral outrage. Combating the effects of inequality had been the imperative of much of American social policy throughout the twentieth-century. Indeed, during the New Deal and through the 1960s, there was great attention paid to the distributional impact of the capitalist economy and its effects on social welfare. Far from seeing markets, as they are seen today, as neutral and natural, the realities of the Great Depression and massive inequalities in wealth and incomes were seen as a detriment to political democracy. The reorientation of government policies has been matched by a similar change in public attitudes toward economic and social inequality. Although Americans still think economic inequality is morally wrong, they have accepted its consequences more than in previous eras in American history. They no longer see the connection between politics and economics,

nor do they glimpse the ways that economic constraint interferes with the project of political democracy.

I will argue that economic inequality was central to the political debates that spurred America's political and social development. In addition, I will argue that economic inequality was a central moral and political concern throughout American political history and that American political values of equality have lessened in intensity as we follow the discourse on economic inequality throughout American political history. Today it has become customary to exclude class when discussing American political and social history. In its place, the issue of equality has been cast in racial and gendered terms. To be sure, this too is a central aspect of the development of American political history and politics, but the dynamic of class inequality remains a stubborn reality, and— not unlike the problem of race—it has been one of the central themes in American political history. Clarifying the ways that economic inequality threatened political conceptions of liberty, citizenship and democracy is therefore a central concern which needs to be probed and explored, for in no other time in American history has the gap between political and economic democracy been so evident than in the present moment.

Looking historically at the way that American thinkers and social critics conceptualized the problem of economic inequality also has another, deeper purpose: namely, to redirect the current discourse on economic inequality by placing the problem of economic inequality in explicitly political terms. What is in fact consistent about the discourse on economic inequality in American political thought is how intimately bound up it was with a distinct political concerns of freedom and democratic republicanism, or a concern for the elimination of servitude, dependence and unfreedom. The division

between wealthy and poor was seen as a distinct power relationship and not simply as a matter of class difference. American political thinkers and social critics were consistently aware of the fact that economic power was an aspect of political and social power. They were aware that political equality and the republican forms of government would be threatened by the emergence of inequalities in property and economic power and that for a true democratic civilization to survive it was necessary to eliminate massive inequalities of property, wealth and social power. The economy was seen as a realm of social interaction separate from the state, but the assumption had always been that if it were left alone and it rested on the foundation of individual labor, then a rough economic equality would be the result. What they feared was the emergence of protected wealth, of the kind that had characterized the feudal institutions of Europe. This sparked an egalitarian tradition that was grounded in the political concerns of equality and justice, and not a naïve notion of leveling or absolute equality—and it is a tradition with profound implications for contemporary American politics.

This tradition and its unique perspective on the relationship between politics and economics is in distinct contrast to contemporary approaches to economic inequality, those dominated by empirical economists and sociologists or moral philosophers. This study wants to show that politics has its own distinct perspective on the problem of economic inequality and a claim on the debate about economic inequality in both its historical and contemporary manifestations. The key to understanding economic inequality as it was viewed by thinkers throughout the development of American political thought is to see economic inequality in political terms, and this still retains its salience. Inequalities in the economic sphere are also distinct asymmetrical power relationships

which dictate many aspects of everyday life in addition to structuring inequalities in quality of life and access to basic economic goods which enable, or disable, social mobility. Economic hierarchies are not simply the result of differentials in talent and skill between different individuals. They are the result of the activity of markets and the operation of capital, itself a distinct institution. But in the end, this is not really the issue; rather, what needs to be emphasized is that any movement toward economic equality has been historically achieved by political pressure in the form of social movements that have sought some degree of economic rights whether in the form of unionization or direct redistribution, and it is the political ideas that informed such movements that are at issue in this study. It is not that ideas are somehow primary to social action but rather that different political ideas shape political action differently.

Historically speaking, economic divisions within society were a primary lens through which Americans viewed social power in everyday life because it was the way that power relations in everyday life were structured. The connection between economics and politics—something that today is looked down upon—is in fact a central connection for most of American political and social history. This book seeks not only to make this explicit, but also to show that America historically possesses a vibrant economic egalitarian tradition, one that stretches back to the Revolutionary period itself and which continued on through to the twentieth-century. It is an egalitarian tradition that saw economic inequality as one of the central problems facing American political life and which put forward the idea that inequality in economic terms would be a prime cause in the dissolution of the American republic and its conception of liberty and equality. Central to this argument is the notion that American political ideas about individualism,

liberty and equality—which we broadly term liberalism—have different meanings in different historical-economic contexts. Liberalism was a radical doctrine when it was faced with encrusted power relationships that characterized aristocratic social relations. The concern with the right of each individual to be paid according to his labor—and not to profit off of the labor of others—was a radical interpretation of the liberal doctrine which wanes in the late nineteenth-, twentieth- and twenty-first-centuries. With the reconciliation of working people to the wage system and to a broad liberal-capitalist consensus, liberalism would lose its radical edge in arguing for economic equality and become more of a defense of the prevailing system. This becomes a major theme of this study: namely that as the nature of the economic system changes and becomes more “naturalized,” there is a consequent acceptance of economic divisions in American politics and culture. It is not the fact that political ideas have changed—Americans still embrace economic liberalism for example—but that the economic context within which those ideas operate change over time.

What needs to be made explicit are that the various ways that economic inequality was problematized. What writers and thinkers within the economic egalitarian tradition sought to emphasize was the way that the growing disparity of economic power would form the groundwork for distortions in political and social power. New forms of economic life would foster not individual liberty and independence, but a new form of economic dependence on others and the erosion of social and political freedom. At the root of the American economic egalitarian tradition is the notion that economic divisions lead inexorably to political and social inequalities of power; that the essence of any real sense of political equality could only be guaranteed by a sensibly equal distribution of

property and wealth. This meant that political and economic life were in fact inseparable and that social power was a function not only of political power, but in the ways that individuals had the power over their own economic life and the ability to direct their lives independently of the sway of the power of others—whether that person be a political tyrant or a factory owner. What Americans were reacting against historically were the memories and vestiges of aristocracy and feudalism. It formed part of a political-historical consciousness that militated against class divisions. The fear of the aristocracy and the destruction of America's republican experiment were therefore at the core of early American ideas about inequality. The political moment was therefore always explicit, and it is something that has been lost in contemporary American attitudes toward economic power and class inequality.

Late nineteenth- and twentieth-century American political history saw the expansion of the role of the state in economy and market. For many intellectual elites of the time, the inegalitarian effects of industrial capitalism were in growing opposition to newer ideas and conceptions of democracy that were becoming current at the time. But more importantly, what the New Deal and the rise of the American welfare state ushered in was a new interpretation of democracy: one that saw, both implicitly and explicitly, that political democracy was untenable without a substantial degree of economic equality as well. The redistributive character of the welfare state was a result of this overall reconceptualization of democracy, but it was precipitated by the reaction against the massive economic divisions of the late nineteenth- and early twentieth-centuries as well as a response to the overall crisis of capitalism. New Deal liberalism would eventually evolve into Great Society liberalism, and it would not be until the late 1970s that a

successful neoconservative assault on the welfare state, and on the doctrine of economic inequality, began to redirect this political project.

In some ways, one could argue that this was nothing particularly new in American political and social history. Indeed, there was a similar political and ideological phenomenon during the 1950s and early 1960s. Books like Frederick Lewis Allen's *The Big Change* in 1952 and Shepard B. Clough's *The American Way* in 1953 were both paeans to capitalism's supposed ability to equalize incomes and provide equity with productivity and prosperity, arguing that there was an emergence of the "democratization of our economic system." David Riesman in his classic sociological analysis of post-War America, *The Lonely Crowd*, argued that there was what he called an "abundance psychology" that was evolving out of a "scarcity psychology" as incomes were becoming increasingly egalitarian in their distribution. Much of this was backed up empirically by Simon Kuznets' study published in 1953, *Shares of Upper Income Groups in Income and Savings* in which, as Gabriel Kolko pointed out at the time, an analysis of the top 5 percent of wealthiest Americans was used to substantiate claims about the spread of income throughout the population as a whole.<sup>1</sup> There also emerged a critical discourse of this understanding of American economic and social life with the publication of works such as Michael Harrington's *The Other America* in the early 1960s. Analysts like Harrington were able to uncover what had been ignored by so many of these other writers: the existence of a large, poor underclass that was disenfranchised and excluded from the political and economic system and the construction of public policy.

Unlike previous analyses of economic inequality, this study will analyze how the problem of economic inequality was conceptualized by thinkers that confronted and

theorized it throughout the development of American history. American political thinkers and social critics throughout the centuries examined the implications of economic divisions between wealthy and poor and between worker and capitalist in order to gauge its impact on the American republican experiment. Highlighting the American political tradition's grounding in the concern for equality and the anti-aristocratic and anti-feudal ideologies that sprang out of the republican political experiment in the eighteenth-century, it will contextualize both the critics of economic inequality as well as its apologists. Rooted in the impulses of the Enlightenment as well as the politics of the English commonwealth tradition, the concern with economic inequality occupies a large space in American political thought and as a systemic concern it constitutes a genuine political tradition within American political history, one that has been eroding in contemporary political life. This study is therefore a study in intellectual history and political thought, but it is an analysis that seeks to make the economic egalitarian tradition in American political thought explicit and, in so doing, seeks to revive those concerns for the politics of the present. It will place what is today commonly an almost exclusively economic debate within a political context, tracing the historical lineage of both the egalitarian and inegalitarian traditions in American political thought. By looking at political ideas, it therefore puts emphasis on the forms of legitimation that shaped the various ways that politics, economy and society were configured and also offers a historical perspective on the ways that we conceive inequality as well as democracy in modern American life.

Political institutions are important, but they are undergirded by political values, ideas and traditions which give them legitimacy and shape the parameters within which

they operate. By “political” I therefore mean a much broader, much “thicker” conception than what we are commonly used to calling “politics.” Politics is not simply the institutions that make up the apparatus of the state such as the courts, elected bodies and other explicitly political institutions of the state. In addition to these, it is also the shared ideas and values that ground the laws that govern any association. Throughout the development of American democracy, equality as a basic concept has been one of the most dynamic and problematic concepts in the development of modern democratic politics and culture in the sense that it has forced reflection on the economic system as a whole and allowed new political understandings of rights and duties to emerge. Although an abstract category to be sure, the problem of maintaining some degree of economic equality in the face of growing disparities between classes fostered an egalitarian tradition within American political thought. The question of this study therefore turns on the power and efficacy of different ideologies—sometimes about the nature of man, society and the state and then later about the way to maximize the public good through the regulation of economic activity and institutions—and how these ideologies have affected the ways that American political thought has dealt with the problem of economic inequality.

Economic inequality should therefore not simply be seen in terms of its effects on individuals or on particular social groups. It should also not only be seen in relation to some pure ethical ideal of “equity” and “fairness.” Rather, for the most part, the egalitarian tradition in American thought was grounded in the broader concern—one evident throughout the history of western political thought—with the problem of economic inequality which was, throughout western political thought, consistently seen

as a threat to harmonious and peaceful political association and also as a threat to a stable democratic society and polity. It was imbued with a concern for the public good but it was also the concern for the individual and the absence of what they saw to be dependence and servitude. In this sense, economic inequality had always been framed as a *political* problem with the emphasis on how social divisions can lead to social and political fragmentation and to plutocracy, aristocracy, or tyranny and the elimination of individual as well as social freedom. This was a persistent fear of many American political thinkers and social critics for the bulk of American history and the apparent shift away from equality as a major political concern requires analysis. The central problem is that the discourse on economic inequality has shifted in American political thought and inequality has been transformed under the conditions of late capitalism into, in many cases, a justifiable aspect of social organization. Inequality is no longer seen as dangerous as it once was and the question that needs to be asked is whether or not this kind of neo-liberal thinking has its roots in American political thought and, if so, how such an ideology developed and how it is sustained.

In America, early ideas about the nature of man, the state and the economy circled around the notion of “natural inequality” which was inherited from the ancient notions of political society and the way that ancient thinkers dealt with the problems of social and economic inequality. Even so, most early American political thinkers saw the optimum situation for human civilization through the lens of Enlightenment notions of a liberal state where political power was decentralized and the rule of law was the core attribute of social life. A liberalized, free economy was seen as a progressive force in civilization promoting industry and furthering human happiness. Eighteenth-century American

political ideas about inequality were therefore concerned with the problem of *political* inequality: with the rights of different citizens to participate in the political sphere, more than with the problems of a lack of property. Of course, this was a conception of political equality that excluded groups like women and blacks, but the real issue was an escape from the feudal social forms of hierarchy and unequal relations of social power. Politics was considered to be the heart of social power. Economic inequalities were not seen as distinct from political inequalities in two senses of the term. First, there was an assumption that inequalities in the economic sphere derived from political privilege. With the abolition of this privilege, it was largely presumed, the bulk of oppressive economic inequality would also vanish.

But second, and indeed, more importantly, economic inequalities were seen to have political effects in the sense that they were not simply, as we commonly see them today, economic relations—i.e., between haves and have-nots—but also *relations of power* between classes and between individuals, such as between employers and employees. Inequality did not only deny certain segments of the political community the material means for adequate survival—something that had sparked anger and revolts for centuries on end—it also dispossessed them of their autonomy, robbed them of substantive social and political liberty in the sense that they would be subject to domination, live according to the interests and the power of others, and cease to be self-sufficient and therefore free. In this sense, and in contradistinction to today, economic inequality was always seen as a distinctly political concern; it touched on broader themes and ideas deriving from anti-aristocratic sentiment and a political impulse toward individual self-sufficiency in economic and political terms as a central aspect of what was

seen to be America's "republican civilization." This is no idealization of the past. The writings of the overwhelming majority of those who were critics of economic inequality are imbued with these themes and it constitutes a distinct tradition in American political thought. Thus, the analysis of economic inequality in American political thought needs to be seen as a politics of inequality; as the way that the mechanisms of the market and the developmental logic of the American economy and its effects were countered by the concern with unequal relations of power and the assault on prevailing conceptions of democratic community and social solidarity. Central to this discourse was the problem of servitude (*servus*) and its opposition to liberty or a state of freedom (*liber*); the ways in which economic relations—not simply the differentials in the amount of property that was accumulated—translated themselves into the broader relations of political and social life. Economic inequality also meant the decline of self-sufficiency, legal and political equality and the recreation of the barbarity of feudal institutions.<sup>2</sup>

Working within a coherent tradition, egalitarian thinkers derived their concepts and categories from specific understandings of political and social life which emphasized the need to eliminate all forms of explicit social domination—not only in terms of institutions (i.e., government and law) but in terms of economic relations and everyday life as well. This had its roots in the commonwealth tradition in England in the seventeenth- and eighteenth-centuries—itsself derived from republican themes—which was then transposed into the American context.<sup>3</sup> Economic inequality was not only viewed as dangerous to broader conceptions of the public good and to moral ideas of fairness; the drive to abolish it was also heavily tempered by a political imperative to eliminate all forms of servitude and to enhance individual and social freedom. With their

historical proximity to the feudal institutions of the past, many early political thinkers and critics saw that economic divisions would lead to oligarchy, to aristocracy or, even worse, to wage slavery. The idea of equal rights would therefore degrade into little more than a rhetorical fiction. What even the earliest critics of inequality in America were able to glimpse was the danger that economic inequality posed to the idea of political equality. Critics also emphasized a concern with society as a whole and the fact that a true, democratic republic could not function with a divided, unequal citizenry. But this situation began to change as modern industry began to develop and newer ideologies began to emerge and transform, rather than supplant, the older ideas about natural inequality and move, with thinkers such as William Graham Sumner and others, into a “scientific” mode of thinking which began to take on a deeper and more entrenched legitimacy. Industrialism made inequalities of wealth and property more extreme than at any other time in the American republic and, as a consequence, there emerged a corresponding need to rationalize such inequalities and fit them into the context of American political culture.

Today the legitimation of economic inequality has acquired a position of influence as in no other time in American political thought. Of course, America has its inegalitarian tradition as well, beginning with thinkers such as Alexander Hamilton and on through thinkers like Milton Friedman. Although well over twenty years ago the political theorist Philip Green could write that “[s]pecial advantages for economic elites, as in the United States tax code, are introduced *sub rosa*, never proclaimed out loud. No one defends legislation by suggesting that the better class should be rewarded more and the inferior less,” this is no longer strictly the case.<sup>4</sup> To understand this transition in

American political life requires a multi-layered analysis of American political ideas. And such an analysis also needs to take into account how ideas about equality and inequality have operated as ideologies with respect to the prevailing economic system that, by its very nature, produces inequalities of wealth.

The historical development of ideas about economic inequality in American political thought has witnessed a transformation from radical criticism to relatively passive acceptance. As the liberal doctrine of competitive individualism became more dominant, calls for equality of condition were replaced with calls for equality of opportunity. As inequality began to worsen during the later decades of the twentieth-century, it was these same liberal ideas that were in effect co-opted by a renewed libertarianism that gave justification to inequality not only on the basis of “fairness” but on the basis of the neoliberal argument that inequalities were the product of an efficiently operating economy which would also produce an enhancement in economic incentives prodding the economy on to continuous growth and prosperity.<sup>5</sup> The study of political ideas should not be seen as simply an academic enterprise; the way we think has much to do with the various ways that institutions are legitimated and it has an impact on the future evolution of those institutions and on the ways that political actors respond to shape political realities.

From the very beginning, issues of economic inequality factored in the debates of the framers of the Constitution as well as theorists of American republican democracy. To be sure, America’s democratic development has been a result of a confrontation with multiple forms of inequality. The problems of racial and ethnic inequality as well as issues of gender have been at the forefront of the American democratic project. But the

reality and persistence of economic divisions has been a consistent theme of opposition throughout American political history. Even though the problem was persistent, the ways that thinkers approached the problem varied, and it is this history of ideas that requires analysis in order for us to derive political meaning from them. These thinkers generally confronted the problem of inequality from a political and moral position that has been eroded by modern liberalism. The central theme that runs through this study is that the closer we look at the ideas and writings of the critics of economic inequality the clearer it becomes that their concern was not for a utopian conception of absolute economic equality. They were critics of the effects of inequality but they did pragmatically accept the idea that some inequalities would need to exist. Unquestionably, there were utopians among them, but the overwhelming tenor of this tradition was the elimination of inequalities that would create unequal relations of social and political power and which would also lead to social and political fragmentation and the hijacking of the public good for the interests of the few.

The importance of analyzing the history of political ideas should not be confined to mere academic interest. This study seeks to tease out this egalitarian tradition in American political thought. It is a tradition that views economic inequality not simply in terms of poverty and wealth, but in terms of many different forms of economic inequity. Indeed, if we are to ask the question, as Amartya Sen has suggested, “equality of what?” than the answer of this tradition as a whole would be complex.<sup>6</sup> But there is little doubt that it would hinge on the idea of a freedom from want as well as a freedom from the arbitrary exercise of power. It sought the equality not only of economic opportunity and material condition, but also the elimination of a reliance of one individual on another, of

economic dependency and on what they broadly conceived as servitude. On the one hand, economic issues were central such as the classic problem of poverty versus riches; but there was also the important political dimension, the fact that inequalities of class would lead ineluctably to aristocratic institutions and ways of life. It would result in the alienation of government from broad public concerns and a shift of power toward the interests of the few at the expense of the interests of the many. It was the preservation of this form of democratic life that the economic egalitarians sought, not a utopian kind of egalitarianism characterized by leveling and an absolute equality of property. By and large, the thinkers in this tradition knew that inequalities would emerge that would reflect differences in skill, education, or effort. But they did not see the kind of inequality that capitalism was producing as tolerable. It was not simply the result of individual differences but rather the result of the accumulation of power in fewer hands and the distortion of the liberal economic ethic that dominated American assumptions about economic life.

These ideas were radical to be sure. They rejected the emerging economic order in the early decades of the nineteenth-century and many of them rejected the entire structure of economic modernity itself seeing smaller economic communities as superior to the trends that were moving toward a nationalized market economy. But as capitalism continued to develop, these themes began to lose their radical edge. The Progressive era and its thinkers were hardly egalitarians, but they saw that the excesses of capitalism required the state's intervention and a reconceptualization of the goals of the national economy. At the same time, this led to a liberal-capitalist consensus which would reduce inequalities for the sake of preserving the broader system as a whole. This has in fact

been pointed out by other scholars as well, but what is important to see is the trajectory of these ideas and the ways that they relate to the changing economic structure.

The general logic of my argument will therefore confront the problem of the relation between history, institutions and ideas. It will privilege an interpretation of political and intellectual history that sees the interrelationship between ideas and institutions as a process defined by what Max Weber knew as “elective affinities”: not a causal relationship that can be scientifically predicted or patterned, but as a series of “moments” where certain institutional constraints are glimpsed through a moral-political framework and certain political insights are generated. This is not a kind of intellectual and social history which emphasizes some kind of causal framework, but one that seeks out a series of breaks or reorientations in political thought that emerge as a result of the reflection of individuals upon the institutional situations that they confront at a particular time.<sup>7</sup> It is the reflection of individuals upon the socio-political context of their time that is the activity of such reorientations; but this is not causal in the simple sense of the term. The Weberian notion of the elective affinity stresses nondeterminative causality; the economic context or specific institutions do not determine certain political or moral responses on the part of social actors. Rather, there is a *coincident interaction* between ideas and institutions, never a definite cause of one on the other. Such a perspective acknowledges a fundamental interaction between ideas and institutions; that intellectual and political history needs to be read with dual attention to the development of an economic and institutional framework on the one hand and the application of different political ideas which seek to comprehend those institutions politically on the other. The assumption made here is that individuals within any political community reflect on the

system of constraints and power relationships that exist as economic and political institutions change over time and seek, at certain points especially, to transform them politically.<sup>8</sup>

This perspective on political history therefore hinges on the interplay between the institutional constraints—themselves derived from the changing political-economic framework as American capitalism developed—that were present in three particular periods in American history and the ways that political ideas, in this specific case about the problem of economic inequality during each of those periods. This periodization scheme therefore divides American history into three broad sections corresponding to the different institutional, i.e., economic, phases of American capitalism. But despite the broadness of these different periods from the point of view of historical political economy, from the standpoint of analyzing political ideas, it is essential to see how American ideas about inequality changed over time; how radical ideas against inequality in the late eighteenth- and early nineteenth-centuries

### **The “New Inequality”**

The concern with economic inequality in American political thought and history therefore relates directly to the political concerns of the present. What has come to be known as the “new inequality” has been characterized by the specific way that economic inequality has manifested itself in late twentieth-century and early twenty first-century America. Beginning in the early 1980s, there was a massive increase in income inequality due to “the unprecedented abysmal earnings experience of low-paid Americans, income stagnation covering about eighty percent of all families, and an

increase in upper-end incomes.’<sup>9</sup> The dispersion of incomes was due largely to the increase in real incomes for high-income earners and a sharp decline in wages for those at the bottom. Pay differentials increased along the lines of education, age and experience, the only real exception being gender, which saw a decrease in income dispersion.<sup>10</sup> A key aspect of the “new inequality” is a result of the restructuring of American capitalism, i.e., its integration into a more competitive world market for production and consumption. Indeed, this is the most common explanation behind the rise in income dispersion that has been at the center of the recent surge in social inequality in America. Wages have grown more unequal as a result of macroeconomic causes such as unemployment, inflation, rapid economic growth and stagnation of the minimum wage, the decline in the power of unions and their influence as well as the exchange rate of the dollar.<sup>11</sup> Of course, this is not a problem that is confined to America. The rise of social inequality in Europe has also been a concern of social scientists as well, and the causes are seen to be similar by many economists.<sup>12</sup>

Although this is clearly true, there is also another side to the “new inequality”; one that is decidedly more pernicious in the sense that what we see happening is a change not only in the structure of work and income in a post-industrial order, but there is also the deepening of class divisions along the lines of wealth inequality. Edward Wolff has argued that when discussing inequality we should be focusing on the inequality of wealth since wealth inequality between households means a disparity in the ability to buy a home, is more “likely to be better able to provide for its children’s educational and health needs, live in a neighborhood characterized by more amenities and lower levels of crime, have greater resources that can be called upon in times of economic hardship, and have

more influence in political life.”<sup>13</sup> This trend in wealth inequality is a directional change from the broad secular trend since 1929 where there was a pronounced decline in the concentration of wealth in America through the 1970s.<sup>14</sup>

What the economic literature points to is the emergence of patterns of inequality that are both enduring and worsening. These inequalities are also complex in nature since they are relationships between social classes that affect different dimensions of social life in terms of wealth, income, quality of life, housing quality, access to public goods such as education and in spatial or regional terms. They endure partly because of the transition of American capitalism from an industrial to a post-industrial kind, but also because of the pull back of government services throughout the last two decades of the twentieth-century. Of course, these are both partly the results of changing economic factors, but the politics behind this new upsurge in inequality needs to be located and analyzed. It is true that many economists have done an excellent job in parsing the mechanisms of the “new inequality,” but what needs to be assessed is the way that political ideas have come to legitimize these economic relations. It is one of the primary assumptions of my analysis that political ideas act as a legitimating force of economic realities. Shedding light on the political assumptions and implications of economic inequality will therefore reveal deeper relations between economic inequality and democracy and pull the current discourse around economic inequality away from mere empirical concerns and place politics at the center of the debate.

## **Inequality at the End of History**

Neoliberalism and neoconservatism have occupied a central place in American politics over the past two and a half decades. Both have been defined by their emphasis on the libertarian aspect of the economy; on the idea that political and economic life ought to be separate in order to promote a deeper notion of individual liberty. Ideologically, they have placed economic liberalism over that of political democracy and have advocated an economistic understanding of liberal concepts such as individualism, the economy and equality. At the core of neoconservative and neoliberal philosophy is the notion that equality has extended as far as it will ever be able to extend without endangering individual liberty. Equality is to be realized and contained exclusively in the legal and political sphere, and even then, only in the abstract or formal sense. This differs strongly from the insight that was offered and acted upon by Progressive and New Deal thinkers who saw the role of the state expanding into the economy as necessary for a more substantive conception of democracy to take hold. These thinkers were reacting against the massive inequalities of the late nineteenth-century, but even more, they were reacting against the entire social theory upon which it had been based: laissez faire individualism. And it is precisely this theory of society and government that has made a triumphant return in contemporary American politics.

Tracing the history of the politics of economic inequality therefore can shed light on the present political situation and the assumptions that currently dominate economic and political life. Freedom has reached its culmination in the institutional matrix of liberal democratic capitalism and any movement outside of this system is bound to end up in a situation of unfreedom. Taking its cue from Hegel's notion of the end of history

as the speculative realization that human freedom is at the very core of the development of history, this argument has retraced, among other things, the boundaries of American liberalism.<sup>15</sup> Now, the liberal notion of political equality has been reached, and the true nature of human liberty has manifested itself. This “end of history” thesis in many ways has defended the structure of the politics behind the “new inequality.” The persistence of economic inequality has much to do with the structural transformation of work and the transition to post-industrialism as it does with the new transformation of political ideology. Nevertheless, the ascendance of libertarian ideas about economy and society have influenced not only the elites responsible for public policy, they have also affected public sentiment on a whole range of economic issues. The inverse relation between the rise of inequality and the lack of political aversion to it requires explanation, and I think it can be found in the way that the idea of liberalism with its emphasis on individualism and its conception of labor and property have triumphed over broader conceptions of the common good that were espoused by republican-minded thinkers. Bled of its older political implications, a narrow sense of economic liberalism now justifies economic divisions, even among those who suffer most from them. And this begs the serious question which is how and why has an economy that continues to generate and perpetuate rigid forms of economic inequality and the disparities of political and social power that spring from it has not fostered more resistance and critique.

But if what I have been arguing here is at all true, then an analysis of the developmental changes in the way that the concept of economic inequality has been understood is required, as is an analysis of the political concerns were that served as the backdrop for those ideas. Indeed, contemporary American sentiment on these issues has

been shaped not by objective truths or historical experience but by an ideological shift which views economic inequality as valid in pursuit of larger social and political goals. The neoliberal mantra of the rising tide that raises all boats is only marginally seen as a justification for the reduction of the public sphere and the growth of the market as the solution for social problems. There is also the ideology of self-improvement and social mobility that accompanies the liberal economic ethic. This renewed conception of liberalism traces its foundations back to thinkers like Ludwig von Mises, Friedrich Hayek and Milton Friedman. But today, it has become hegemonic in the way that economic life is understood and economic inequality justified and it is a reorientation away from the tradition of egalitarianism that had dominated much of American political thought and its emphasis on egalitarian conditions and a broader notion of social solidarity rather than atomistic individualism.

This can, and should, also be seen as a reorientation of American democracy away from the more substantive ideas about equality that were privileged by the thinkers of the early twentieth-century. Even more, it should be seen as a grave turn against the American egalitarian tradition which railed against economic inequality for its effects on political and social power. There is no denying that the impulse for equality among Americans—once seen as a central aspect of the republic—has lost its political power. The consequences have been drastic. This is at core a political problem and a problem of which political ideas, which traditions, are being embraced. Investigating the lineage of these ideas is therefore essential, for it will tell us much about the American pursuit of economic equality, of social justice and of the realization of a fuller, more robust understanding of democratic life. This is where the ideological, institutional and political

levels of the analysis converge since ideas are used to justify and to legitimize certain institutions and interests. The roots of this story begin at the very heart of American political thought in its earliest generations—from thinkers as diverse as Thomas Jefferson and John C. Calhoun—and stretch through the modern attack on the welfare state. Unearthing the political traditions of inegalitarianism and egalitarianism will enable us to see how politics had always been central to the concerns over economic inequality and that it was the issue of politics, of power, that dominated the various debates. For it is only when we begin to move away from the purely moral or empirical understandings of inequality and embrace the political dimensions of the problem that a revival of a more robust debate over the serious problems of economic inequality can be realized.

Notes

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<sup>1</sup> See Gabriel Kolko, *Wealth and Power in America*, p. 5 (New York: Praeger Press, 1962).

<sup>2</sup> See the discussion in R. R. Palmer, *The Age of Democratic Revolution: A Political History of Europe and America, 1760-1800* vol. 1, pp. 185-284 (Princeton: Princeton University Press, 1959).

<sup>3</sup> For an excellent discussion, see Z. S. Fink, *The Classical Republic: An Essay on the Recovery of a Pattern of Thought in Seventeenth-Century England*, (Northwestern University Press, 1962).

<sup>4</sup> Philip Green, *The Pursuit of Inequality*, p. 3 (New York: Pantheon Books, 1981).

<sup>5</sup> See Donald R. Deere and Finis Welch, "Inequality, Incentives, and Opportunity," pp. 84-109 in Ellen Frankel Paul, Fred D. Miller, Jr. and Jeffrey Paul (eds.) *Should Differences in Income and Wealth Matter?* (New York: Cambridge University Press, 2002).

<sup>6</sup> See Amartya Sen, *Inequality Reexamined* pp. 12-28 (Cambridge: Harvard University Press, 1992).

<sup>7</sup> For a discussion of this kind of methodological approach to political and intellectual history, see Stephen Eric Bronner, *Moments of Decision: Political History and the Crises of Radicalism* pp. 1-12, (New York: Routledge, 1992).

<sup>8</sup> "[I]f it is true that economic contradictions and ideological currents assume their significance within the interplay of institutional power relations, the political ceases to exist as merely one variable among others. It becomes *the* crucial factor in any attempt to overcome conditions of institutional subordination and fragmentation caused by socioeconomic and national differences. That is why *political* crises present the most dramatic possibilities." Bronner, op. cit., p. 5. In my own case, the "political crisis" is the result of the confrontation with economic inequality and/or its political and social effects. The relationship between ideas and institutions is therefore central to this analytical approach to the history of political ideas.

<sup>9</sup> Richard B. Freeman, *The New Inequality: Creating Solutions for Poor America*, p. 3 (Boston: Beacon Press, 1999).

<sup>10</sup> See Richard B. Freeman and Lawrence Katz, "Rising Wage Inequality: The United States Versus Other Advanced Countries," in *Working Under Different Rules*, (ed.) Richard B. Freeman (New York: Russell Sage Foundation, 1993).

<sup>11</sup> See James K. Galbraith, *Created Unequal: The Crisis in American Pay*, pp. 133-149 (New York: The Free Press, 1998).

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<sup>12</sup> See Anthony B. Atkinson, “Bringing Income Distribution in from the Cold,” *Economic Journal*, 107 March 1997.

<sup>13</sup> Edward N. Wolff, “Racial Wealth Disparities,” p. 7 *Jerome Levy Institute of Economics Public Policy Brief*, no. 66, 2001.

<sup>14</sup> See Jeffrey Williamson and Peter Lindert, “Long-Term Trends in American Wealth Inequality,” in *Modeling the Distribution and Intergenerational Transmission of Wealth*, (ed.) James D. Smith (Chicago: University of Chicago Press, 1980).

<sup>15</sup> See Fukuyama’s *The End of History and the Last Man* (New York: The Free Press, 1992). The critical literature on this book is immense. Most important among them, see Stephen Eric Bronner, *Moments of Decision*; Stanley Aronowitz, *How Class Works*, (New Haven: Yale University Press, 2003).

## CHAPTER I

### **The Problem of Ideology, Political History and Economics**

Intellectual history is plagued by the question of methodology. To comprehend the origins of the ideas and the concepts that we use today to interpret the political and social world, it is necessary to investigate the past to elucidate not only the roots of certain ideas and concepts, but also to try to understand how ideas work in the process of history and in the process of political change. Any discussion of the relation between political history and the economic context that frames political ideas and their interpretation is immediately confronted with the problem of relating ideas and ideology to the material context in which they were articulated and in which they acted. This is a classic problem in the social sciences and in history as well. The general trend of the last several decades in American political history has been to emphasize the ideological dimensions of ideas rather than place emphasis on the way that ideas are created within a specific material, i.e., economic, context.

In part, this shift from an “older” kind of historical analysis—one exemplified by thinkers like Richard Hofstadter and George Lichtheim—was a reaction to what was seen as a Marxian-inspired analysis which reduced the role of political ideas to structural changes in the economy. Seeing political ideas as bound—albeit in a highly complex way—with the material conditions of the time, these writers were able to isolate interests in politics and not succumb to the fallacy of so many philosophers that ideas were the core or essence of any age and therefore a key to a deeper understanding of that age or phenomenon. The analysis of political history requires that we become aware of the ways that ideas are not only guided by certain interests, but also the ways that certain

ideas are used *against* certain interests and the ideas inspired by those interests.

American political thought—from the debate over slavery to the problems of economic stratification and the rights of minorities of all kinds—is fundamentally tied to a complex intersection of ideas and interests. It has been unique in the sense that its central claim to equality was immediately put to the test by rapid economic development and the effects of capitalism.

Political concepts illuminate deep dimensions of political history and provide us with an interesting archaeology not only of an idea itself, but of the ways that a particular political culture grapples with it. But unlike categories such as race and class, economic inequality was a *condition*; and what's more, it was (and still is) a condition that pressed on the very foundational ideas of American political culture and the political ideas which shape it. The clash between political thought and the economic context that frames that thought is therefore what needs to be emphasized, that point where economic change threatened or challenged political ideas, or vice versa. Political ideas have to confront the actual economic constraints that exist in society at any given time. Political actors may be inspired by certain ideas, but they need to be gauged with respect to the economic institutions of the time. Therefore, in the case of economic inequality, the liberal argument for individual labor and property was a radical political idea in the face of mercantilist and quasi-feudalist social, political and economic arrangements whereas in the context of late capitalism, economic liberalism becomes more an apologia for unequal social arrangements. The economic context needs to be seen in tandem with the political ideas and interests of political actors when examining political history, and it is to this economic context that I am referring when I use the term “economic realities.” In this

sense, economic inequality needs to be looked at as a concept and the ways that it was conceptualized and what types of interests supported the different interpretations of inequality need to be studied.

It is the job of the historian of political ideas to dig out the roots of certain political concepts in order to examine the ways that people think now, the assumptions they make and the ways that they conceive of politics and society and their interrelation. Today, the discourse about American politics seeks to persuade people at large that economic inequality is, at least in the long run, beneficial; that struggles for economic equality are not only utopian, but anti-democratic and, so the logic proceeds, against the traditions of American politics as well. It is a discourse that privileges a conception of politics where the imperatives of the market are given preference to other, non-market goals. How this situation has come about, and what sustains it can be understood from examining the relationship between economic interests and political ideas; the ways that political ideas—or those concepts that we use to legitimize or critique certain social arrangements and their effects—interact with the economic realities of the time. The shifts between these two spheres therefore constitutes the terrain for examining political history.

### **Politics, Economics and the Problem of Ideology**

Rousseau framed the problem of the relation between material inequality and ideas when explaining the origins of inequality by tying it to the origins of modern civilization itself and the founding of the institution of private property. This was done by highlighting the link between material interests and the values or conventions

(*moeres*) of society as a whole that accompany them. And this only made sense since for Rousseau, the real essence of the problem of inequality was not simply in the fact that it existed materially—something that was empirically obvious to any eighteenth-century observer—but a problem of the ways that the ideas legitimated the material divisions of society.

The first person who, having enclosed a plot of land, took it into his head to say *this is mine* and found people simple enough to believe him, was the true founder of civil society. What crimes, wars, murders, what miseries and horrors would the human race have been spared had someone pulled up the stakes or filled in the ditch and cried out to his fellow men: “Do not listen to this imposter. You are lost if you forget that the fruits of the earth belong to all and the earth to no one.”<sup>1</sup>

Rousseau’s insight was that it is not the mere existence of inequality in material terms—e.g., in terms of property, income, or class—that is the problem but the ways that it was legitimated. For Rousseau, the issue is that people were “simple enough” to believe in the legitimacy of the institution of property which made inequality—and all of its deleterious effects—acceptable and “real” through mere convention and the acceptance of this convention as *natural*. Rousseau’s insight highlights what I think is the actual relationship between the economy and the polity: not a simple direct relationship of one set of interests winning out over another, but one that requires *legitimation* and therefore a transformation of political culture and values which enable the material forces within society, such as the market, to shape society and its institutions. The politics of inequality is therefore something that requires a critical political economy but also, at the same time, a thorough analysis of political ideas and values, those things which frame the ideological field within which politics operates.

This touches upon a crucial debate in political history and also within the social sciences more broadly: that between ideas and values, on the one hand, and institutions and social structure, on the other. Where do our ideas about equality and inequality come from? Are they generated from a set of values that change over time which, in turn, affect and transform social institutions—such as the market through regulation, etc.—or is the situation the reverse: do the effects of institutions such as the market affect and transform our values and ideas about what equality is and what its importance is with respect to democracy? It is more correct to characterize the relationship between ideas and institutions as shaping one another mutually. It must be seen that politics is that realm where social interests play themselves out but it is also a domain where competing notions of the public good are also in tension.

The relationship between political ideas/values and material interests is therefore at the heart of the present methodological problematic. Max Weber's comments on this issue are particularly insightful:

In interpreting action, the sociologist must take account of the fundamentally important fact that the collective concepts which we employ in our thinking, whether in legal or in other specialist contexts or in everyday life, *represent* something: what they represent is something which in part actually exists and has a normative force in the minds of real men (not only judges and officials, but also the general public) whose actions take account of it. Because of this, they are of great, often absolutely vital, importance in giving a causal explanation of the way in which the actions of real human beings proceed.<sup>2</sup>

These “collective concepts” Weber discusses affect politics in the sense that whatever political values that any society at any given time accepts have great importance in understanding the way that society and political institutions will react to certain material realities. When it comes to inequality and democracy, there is an ineluctable relationship

between the way economic equality is valued and interpreted and how this affects, through politics, the activity of institutions such as the market and property and the rights of the propertied.

When considering the problem of the relation between political ideas, or ideology and the structure of the economy, the insights of Marx also need to be considered. For Marx, it was economic structure itself which affected and shaped our ideas and values not the other way around, but this needs to be reconsidered in the light of a different, non-ideological reading of Marx's work. The relationship between economic structure and political and cultural ideas and values is commonly misunderstood as a "base/superstructure" model of simple cause and effect where the prevailing mode of production affects the beliefs and ideas of those within society. But it is important to read Marx in a more nuanced light. What Marx refers to as "ideology" is concerned with "men's conceptions of themselves" and consist mainly of formulated ideas and not of subconscious notions and belief systems.<sup>3</sup> In this sense, political ideas for Marx were strongly influenced by the type of economic system that was prevalent and this would trump moral or ethical principles that went against it. Marx took from Hegel the notion that objects of consciousness were not simply raw matter for our senses and therefore our understanding. Rather, as Shlomo Avineri has argued:

the distinction between "material base" and "superstructure" is not a distinction between "matter" and "spirit" (as Engels in his later writings would have it), but between conscious human activity, aimed at the creation and preservation of the conditions of human life, and human consciousness, which furnishes reasons, rationalizations and modes of legitimization and moral justification for the specific forms that activity takes.<sup>4</sup>

The affinity here with Rousseau's argument is not surprising. What it points to is a way of understanding and bringing together a set of methods for understanding political thought and its relation to the "objective" attributes of the economic system. In this case, it is the relationship between the political ideology of equality and the realities of the capitalist system that must be probed.

What is most interesting this regard is that Rousseau, Weber and Marx share a common thread in their conception of how ideas relate to material or economic reality, despite their other philosophical and methodological differences. This can be seen mainly in the notion that (political) ideas can in fact be used to rationalize and legitimize social and economic institutions or different social arrangements. In Rousseau and in Marx, this is the very thrust of their positions; in Weber, it is essential that we become aware of the normative power of "collective concepts": the ways that individuals make some kind of sense of the political and economic formations of their time. This becomes the project of investigating what one can simply call "economic life": the convergence point where individuals rationalize the economic system of which they are a part, seek to understand it, critique it and see politics as the solution to the problems that they encounter in the economic realm. Ideology therefore becomes either a legitimizing force that can serve to argue in favor of certain economic and political forms of organization, or to contest them. Either way, an ideology is a set of ideas that, rather than masking a deep-seated set of interests, works to integrate individuals into either some kind of harmony with the social system of its time, or to mobilize them against it. At times one ideology is paradigmatic and becomes the predominant means of rationalizing and therefore understanding economic life, while at others ideas may be in contestation in which case they will vie for

supremacy in the realm of politics. The historian of political ideas therefore needs to take into consideration the way that political history has evolved in relation to changing economic realities.

This requires moving beyond the type of vulgar Marxism that has been—in one form or another—dominant in characterizing the relationship between the economy and politics and the way that ideology is often understood—i.e., as a cloak for class interests. It is possible for a democratic polity to reign in social inequality and combat it. Whereas much of the discourse of Marxism has seen the state and its institutions as products of an economic “base,” this merely serves to divert attention away from politics as the major component in either exacerbating or attenuating the inequalities inherently produced by the “natural” operation of markets. The main issue is to trace the debates over economic inequality in American political thought to create a picture of the ways that certain ideas about inequality have become hegemonic and others have receded into the background of the political debate.

What this methodological discussion tells us is that there are three levels of analysis that constitute the study of political history. First, there is the *ideological* level. Political culture and values need to be investigated since it is through ideas and values that the external world is interpreted and appraised. It is through a general libertarian ideology of “fairness,” for example, that the view prevails that everyone ought to keep what they earn, irrespective of the costs to social utility and the public good. This is something that needs to be explained by examining the different ways that political ideas have been shaped and forged. But these ideas cannot operate alone without reference to the material dimensions of society.

The second level is therefore the *institutional* level where the social institutions of property, the market, economic structure, and their various transformations, need to be considered. In America, for example, the ideas of liberty and equality were formulated in a pre-industrial and pre-capitalist economic context. As political values, they were articulated in an institutional context where the economy was dominated by agriculture and a burgeoning merchant capitalism. However, these ideas still exerted force throughout the transformation in the nineteenth-century of the American economy to one that was largely industrial in nature. Ideas therefore respond to the changing material context within which they operate.

Therefore, the third level is the *political*. Here we must consider the ways that the ideational and the institutional overlap, how they interact and affect one another. It is not an issue of a unidirectional model of causality between economics and political ideas, but rather a matter of how political ideas and economic realities and interests collide and shape politics that is important. Politics is that locus where values that emerge as interests in response to certain institutions are contested and where certain institutions are created or transformed as a result of the force of certain values. Political decisions are made under the constraint of institutions, but institutions can also be transformed by political values and ideas.<sup>5</sup> With this, we are drawn into the problem of ideology and its relation to politics and economics.

### **Ideology, Politics, and History**

Examining the ideological level of politics and political history provides insight into the discourse of *legitimization* and *rationalization* that in turn structured the

understanding of concepts such as economic inequality and equality. This means that the study of political ideas must take into account the problem of *interest* when considering how political ideas are articulated and how they develop over time. A concept such as economic equality is embedded in a larger network of ideas; it is informed by specific notions about the nature of politics, the character of the citizen, of human nature and of the ways that the state should relate to society and the economy. But even more, it is shaped by the various interests that constitute different political perspectives. The values that political ideas hold are related to the interests that political actors possess; they are related to the institutional constraints that they face as well as the goals they seek to realize. In American political thought, the problem of economic inequality was therefore always seen through the lens of the different and competing values and interests that were predominant at any given time.

Economic inequality is intricately bound up with the various ideas about the ways that social and political arrangements ought to be structured. Economic equality and inequality are not ideas that can be examined in isolation but which must be seen as linked to a broader fabric of ethical and political ideas. These ideas change over time as different ideas become hegemonic and have the ability to steer political institutions. It is in this way that ideas are essential in examining political history. Political ideas evolve cumulatively by which I mean that they need to respond to material conditions and situations. But there is always contestation about how those ideas ought to be implemented and how already existing institutions are to be judged with reference to the ideas that govern them. Ideas can therefore be categorized simply as either *hegemonic* or *insurgent*: they either reinforce the status quo or they seek to undermine it in some way

either by replacing what already exists entirely or by seeking to reform what is already in place.<sup>6</sup> This is when political ideas become political ideologies, at the moment when ideas begin to have a collective or shared meaning between various social actors. An idea can be written down, published, read put away and then forgotten for centuries; but once it is employed politically and begins to organize other ideas about reality, then an idea or set of ideas are forged into an ideology. In American political history, this is more obvious than almost anywhere else: the drastic changes in economic structure and the resulting stratification that accompanied different eras of American life was constantly the context, the frame into which political ideas were set. Without seeing this, we are left with a bland notion of ideology; one that is reductionist in that it emphasizes ideas over institutions.

Such an interpretation of ideology is not of much use to political historians or theorists. But the linking of economic constraint and the objective attributes of social structure provides us with a new set of issues. It is one of the interesting aspects of any analysis of political ideology that it concerns both the normative and the “empirical” at once in that competing ideologies do not only offer up different criteria for choosing one set of solutions to a problem over others, but also a different way of dissecting and understanding the context that one inhabits and the mechanisms of the actual concrete problems one faces. Therefore, there is, in effect, a “double movement”—to borrow a term from Polanyi—where competing ideologies vie for supremacy in public discourse and for a hegemony which can alter the activity and/or the manipulation of political institutions. In this sense, when talking about competing ideologies we must see that they make claims to different meanings or definitions of political concepts in order to either

*rationalize* and in so doing *legitimize* what already exists, or they will project an alternative set of meanings of what already exists in order to contest that reality.

In democratic societies, ideologies are therefore constantly in flux. They change as different interests emerge and as social change continues. Industrialization, immigration, mass urbanization, all were dramatic changes in society that were accompanied in American history by new ideas about how to distribute material wealth; what rights ought to be granted to a more ethnically pluralist society, and so on. Ideology is therefore not something static. Ideas are active in history and they have institutional implications. The prevailing theories concerning ideology relate ideas to individuals only, as Weber's idea about "collective concepts" indicates. And the many of the more predominant theories of ideology argue this notion as well. Clifford Geertz argues that "In short, given the given, not everything else follows. Common sense is not what the mind cleared of cant spontaneously apprehends; it is what the mind filled with presuppositions . . . concludes."<sup>7</sup> For Geertz, ideology is a culturally embedded system that provides individuals with a cognitive map of their social system and environment. Ideology is, in this interpretation, an aspect of culture to the extent that the ideas individuals have about the world are taken for granted since reflection on those ideas is never required. But by crossing the line between ideology and culture, the very notion of ideology is robbed of its explanatory power.

The Geertzian conception of ideology is also laid out in Michael Freeden's analysis of political ideology: "ideologies are configurations of decontested meanings of political concepts"<sup>8</sup> by which he means that an ideology makes an ultimate claim about specific meanings such as equality, democracy, justice, liberty, etc. which are essentially

taken for granted. But this blurs the distinction between political culture and ideology in the study of political history. When viewed historically, ideologies can be seen as active in the sense that they are molded from certain ideas and concepts that seek to transform or to protect certain social arrangements. When the meaning of political ideas becomes “decontested” as in Freedman’s understanding, then we are dealing with political culture rather than ideology *per se*.

Geertz’s approach was first used to justify an ideological interpretation of American history in the early 1970s. Bernard Bailyn’s defense of his book *The Ideological Origins of the American Revolution* utilized a Geertzian understanding of ideology once again as “maps of problematic social reality.” In this sense, Bailyn’s use of Geertz was meant to show how an ideology was capable of organizing a set of attitudes and scattered ideas at a point in time into a politically viable program which could then mobilize people and effect political change.<sup>9</sup> But Bailyn does not discuss the way that ideology interacts with the material interests of political actors as well as the institutions of the time. Since ideology is semiotic in Geertz’s formulation, the unit of analysis is reduced to the various ways that people at a specific point in time understand their social and political situation and the ways that this can lead to certain kinds of political change. But the problem with any semiotic approach, such as that of Geertz, is that it reduces social life to the cultural understanding of individuals and does not incorporate the problem of interest. In any market society—as opposed to the tribes of Bali—there is considerably more importance placed on the protection of property, wealth and the power that it yields. To ignore this is to consign political thought and political history to its philosophical and, indeed, its anthropological or linguistic foundations. But

politics—especially in democratic societies wrestling with the problems of capitalist development and its consequences—will by necessity have economic interest at its core since the development of liberal capitalism means that the notion of power in society becomes more intimately bound to the operation and structure of the economy.

In order to overcome what Robert Shalhope referred to as the “idealist-materialist dichotomy between thought and action”<sup>10</sup> in political history, one must emphasize the political moment within political ideas: that moment when power relations are revealed and are confronted by political actors. It is simply not an issue of describing schemes of causation—this can only confuse the matter by leading to a simplistic and ultimately misleading notion about ideas and political history. Rather, if John Patrick Diggins is correct that “the real question is whether ideas are authoritative in that they determine behavior by virtue of obligating it,”<sup>11</sup> then the answer is simply, no. The “double movement” between ideas and their symmetry or asymmetry with the material context they inhabit finds its locus in politics itself: the shaping and/or mobilization of certain ideas derived from different political traditions in order to solve the problem of economic or political conflict is the mechanism by which the “idealist-materialist dichotomy” in intellectual and political history can be solved. In short, what needs to be considered is the way that different writers confronted concrete economic, political and social problems. When dealing with the ways that American political thinkers and critics dealt with the problem of economic inequality, it is necessary to stress the ways that the ideas they employed were meant to deal with the concrete problems in which they were engaged.

This approach therefore differs from that of writers like J. G. A. Pocock and Quentin Skinner. Their approach to political history puts emphasis on the language or discourse of political traditions and the various ways that these languages, rhetorics or discourses provide historical actors with the “language systems which help constitute both their conceptual worlds and authority structures or social worlds.”<sup>12</sup> What this means is that the political paradigms are constituted by a specific “language,” a conceptual language—such as the language of classical republicanism, the language of rights and property, etc.—and this conceptual language makes certain forms of politics possible by transforming the meaning of political concepts thereby altering the ways that the political and social world are viewed by people within history. More importantly, it removes the kind of engagement with concrete political problems which I am stressing by arguing that these discourses create a paradigm which prescribes what an author “might say and how he might say it.”<sup>13</sup> This has the effect of undermining the political implications of an author’s work, fitting in nicely with structuralist and poststructuralist conceptions of decentered subjectivity.<sup>14</sup> What it means for the interpretation of the history of political ideas is that the link between the material and political context of political ideas and the ideas themselves is effectively severed and we are left with an analysis of the history of discourses, languages and paradigms.<sup>15</sup>

Both Skinner and Pocock want to cleanse political history of the idea that it is at all “superstructural,” that it is somehow affected by material interests or concerns and that political thinkers are coherent of the particular political interests, aims and constraints which they in fact face.<sup>16</sup> The problem I see with this is that it becomes apparent for anyone analyzing modern capitalist societies—especially American political

and social development—that the central political concepts in American political thought are closely bound up with the economic distribution of power and how that distribution of power changes over time. When we talk about equality, justice, fairness, democracy, all of these concepts need to be contextualized within the development of capitalism in America. When analyzing the concept of economic inequality, the reasons for placing the economic context in center stage should become obvious.

Another approach seeks to analyze the way that concepts transform over time. Terence Ball argues that there needs to be a distinction between “words” and “concepts”; words such as the “state” and “revolution” have different meanings for us than they did for those in the sixteenth- or seventeenth-centuries. Concepts change, but words stay the same; and in this sense, what is known as a “critical conceptual history” is concerned with the analysis of concepts. These concepts need to be traced as the result of political arguments: “[h]istories of political concepts are, in short, histories of political arguments and the conceptual contests and disputes to which they give rise.”<sup>17</sup> But political conflicts themselves—especially when we are dealing with the concept of economic inequality—are fundamentally grounded in opposing economic interests and imperatives. Hence, we are unable to restrict ourselves only to political dispute; we need to contextualize the transformation of a concept within the dynamics of the economic system. Only in this way will the political element of the ideas become apparent since it is through the confrontation with the power relations that writers and thinkers face which effectively determine the ideas they will use to either combat or legitimize it.

It is important to see the ways that different conceptualizations can alter political alternatives and practices, but for Pocock and Skinner, a political tradition becomes

detached from the material interests of individuals and it is reduced to a sociological understanding of ideas and even more to a discourse analysis that effectively ignores the ways that material interests made certain political ideas more relevant than others and how certain political ideas which were merely rhetorical fell into disuse. It is, in effect, an analysis of political ideas that is inherently anti-political in the sense that there is no way of telling what is at stake in the development of political discourses.<sup>18</sup> Instead of seeing the interdependent relationship between economy, polity and society, Pocock sees the idea of tradition as being “the handing on of formed ways of acting, as formed way of living, to those beginning or developing their social membership.”<sup>19</sup> Seen as a prolonged dialogue through time on certain ways of understanding and living, Pocock’s notion of political history strips material interests and the material context from the analysis of political traditions and ideas. Even more, by focusing on the paradigm of a discourse as the shaper of political ideas through time rather than the way that different ideas and concepts are used explicitly and with the intention of engaging concrete political and economic concerns, we are left with an interpretation of political ideas that do not engage the more concrete aspects of social power—specifically those aspects of social power that emanate from the distribution of economic power.

But the key to understanding the history of political ideas, in my view, is to see that they operate within an economic or material context, a field of competing material interests and that any kind of political tradition—whether it be liberalism, republicanism, socialism, etc.—is not only constructed within a specific material or economic context, but that the compulsion to politics itself is brought on more often than not from the force of material interests and the ways that they are dissonant with the political tradition(s)

present at any given time. Political traditions straddle material concerns and the ideas used to interpret them. As Stephen Eric Bronner has argued, political traditions are defined by an explicitly political commitment and to understand them we need to be aware of the “ideas they have utilized, the institutional constraints they have navigated, and the material interests they have embraced.”<sup>20</sup> Once again, it is important to emphasize that I am not claiming a simplistic grounding of politics in some kind of elite class interest theory. Instead, my overall claim is that—and this is especially true when examining American political and social history and when performing the historiography of American political thought—the rapidly changing nature of the economy on the one hand and the newly forged political ideas that Americans embraced even while they were still desperately searching for more concrete meaning, that interact in an important way.

It is precisely this need to see how ideas and material interests intersect that I refer to as the “double movement” between ideational frames of reference or “filters” for interpreting the world, and the material (i.e., economic) interests that motivate political action and which are the cause of the clash of ideologies under capitalism. In this sense, ideas are not solely the causal product of their socio-material context, but they are nonetheless inextricably bound to them. As Georg Simmel insightfully commented “[i]t will be remembered that societal facts are not *only* societal. It is always an objective content (sense-perceived or intellectual, technical or physiological) which is socially embodied, produced or transmitted, and which only thus produces the totality of social life.”<sup>21</sup> The “objective content” in this study is in the ways that economic realities and interests were translated into the political thought of the time. Various economic interests inflected the political debate about an economically divided society throughout American

history, and it is still the case that economic interests predominate social policy and political discourse. To insist on an interpretation of the development of American political thought that excludes the economy and its changing dynamics through time leads us nowhere. The objective moment in political thought can always be glimpsed at the point of impingement where material interests mix with the political ideas that are current at a given point in time; and with those political ideas which have been informed by a tradition through time.

With this in mind, the approach to political ideas that I advocate here is in opposition to both the views of thinkers such as Geertz, Pocock and Skinner, which have become deeply influential in the understanding of ideology and the interpretation of political history and ideology in the sense that their emphasis on ideas as a system independent from the objective conditions of social life denature the political element of the history of political ideas. Ideologies are composed of a set of ideas about politics which are woven together to provide political actors with a set of justifications and rationalizations for either what already exists or for reforms or critiques of the prevailing system. For Pocock, political ideas are to be studied unhinged from their material moorings, and this was Pocock's intention: to move political history and the study of political ideas away from what he saw as a crude Marxian-inspired kind of analysis and to instead emphasize the way that a political language, a thread of ideas, terms, concepts, through time, would constitute a tradition of thought that would inform politics throughout history. My emphasis here is on what Hegel and Marx saw as the real essence of historical inquiry, in the analysis of ideas and social conditions as in itself a systemic process of reflection and engagement. Lichtheim's interpretation of ideology as

a distinction between “reality” and “appearance” draws on this Hegelian understanding of ideology: “Reality is process, appearance has the form of isolated objects. The task of critical thinking is to grasp the relations which constitute these apparent objects.”<sup>22</sup>

It is therefore important to see how different traditions within American political thought—specifically here I will concentrate on what can broadly be termed the egalitarian and inegalitarian traditions—have interpreted the idea of economic equality and under what institutional constraints they were working. Ideas do not emerge, nor are they transformed within a vacuum; they are formed within the context of institutional constraints and imperatives. Marx was perhaps more accurate with his insight that men make history, but not under the conditions of their own choosing. Thus, it is essential to see that ideas and institutions perform a curious balancing act when it comes to shaping the fabric of politics and social policy. In the end, economic inequality is a phenomenon generated by the actual mechanism of the market, by the processes of unequal exchange and the way that capital seeks to agglomerate itself at the expense of labor; but the extent to which inequality spreads and how serious it becomes is a result of politics in the sense that only the state can control its excesses and remedy its effects. It is therefore wrong to look at inequality—as has been done since the end of twentieth-century—as a specifically economic issue. We must recast the problem of economic inequality as a political one instead.

There is a consistent discourse throughout American political thought on the idea of economic inequality. The task here is not to trace the history of that debate nor to seek out some causal relationship between certain social changes and the transformations of that discourse but rather to isolate the different ways that the concept of economic

inequality developed over time. Concepts are an important unit of analysis in the understanding of political history because they are in effect the ways that social actors comprehend the social and political world and they are essential in the ways that people construct political alternatives to what they experience around them. The method that I will adopt here therefore seeks to isolate different concepts of economic inequality as they were employed throughout the history of American political thought; it is a process of “crystallization” that I am after here: the search for a key problem within the debate over economic inequality. In contrast to other approaches to political history and ideas, I do not want to stick to the level of language or semantic analysis. It may in fact be that language is important, but it is the level of reflective thought that I want to examine, not the way that language changed over time. This reflective level could manifest itself as a debate over the issue of equality of condition or equality of opportunity; it could be over the issue of political liberty and the way that it is tied to economic freedom and the way that certain writers saw the emerging economic system of capitalism as a harbinger of servitude and hierarchy; or it could be over the ways that economic inequality is, in the end, a natural and even beneficial organization of society.

The above discussion responds to the issue of “what people at the time were thinking,” and this begs the question concerning what social, political and economic trends people were confronting and what values or normative views they saw as motivating their actions. The key insight here is that when it comes to this level of “reflection” it is not simply an abstract reflection that is being performed, but an engagement with what Hegelians would know as the “concrete totality” of history: that place where ideas and the objective world are linked.<sup>23</sup> The brand of history with which I

am concerned therefore involves more than a simple historiography of ideas within certain historical periods; I wish to trace the immanent connection between ideas over time *as well as* their connection with the external material context by which I mean the economic structure of the time. The point is to show how an idea (in my case the idea of economic inequality) was historically formed and how it impacted on economic and political developments in each of the three historical periods that I have delineated. What I will seek to do is isolate what I see as the “essence” of the ideas in each of the three historical periods that I have delineated, or the problematic that the thinkers in a specific period were grappling with and how this contributed to the way that the concept of economic inequality was interpreted and how a changed understanding came about as a result of the debate(s).

This is not a kind of “conceptual history” (*Begriffsgeschichte*) approach to the reading of history where I follow the development of an idea in the sense of the way that it was used semantically or symbolically.<sup>24</sup> I do not want to isolate a *mentalité* or a kind of mindset that dominated a specific period; rather, I want to contextualize the operation and generation of ideas within political and economic realities. Only when actors are able to penetrate the nature of the economic system around them are they able to grapple with economic inequality in any substantive way. Moral critiques of inequality are consistent and appear regularly throughout American political thought, but the most radical interpretations of the political dimensions of economic inequality come when those actors become aware of the economic relations around them; when they are able to isolate the mechanisms of the system itself and apply their political ideas to that system.

The history of political ideas therefore has much to do with the way that thinkers and critics engage and interpret the economic reality they face around them.

Without seeing the relationship between the way that ideas inform political action and the way that political ideas and traditions are embedded within the material constraints of their time, there is no way to understand the ways that people have understood and conceptualized politics and political ideas. In this study, I want to examine the way that the changing economic context of American capitalism through time affects the discourse on economic inequality. This simply means that the ideas of equality in American political thought needed to take into account different material interests and confront certain institutional constraints. By giving intellectual history a political cut it becomes apparent that the ideas of major thinkers serve, in a sense, as “crystallizations” of their era. If Hegel was indeed correct that philosophy is “its epoch apprehended in thought” then the political importance of analyzing the changing understandings of inequality should be obvious and it is only through connecting material concerns of political actors with the way that American political ideas and American political culture framed those concerns that we can meaningfully talk about the problem of economic inequality in American political thought.

### **Capitalist Development and the History of Political Ideas**

My assertion that political ideas and political tradition needs to be linked to the material concerns that political actors face therefore requires that American capitalism and its changing nature and structure become the backdrop for the analysis of the ways that ideas about economic inequality were formed. I tried to show why the economic

interests of actors needs to be at the core of any understanding of political ideas and concepts. But it is most important when examining the problem of the distribution of economic fruits and power. The ways that thinkers conceived of the idea of economic inequality is inherently bound to the political discussions about democracy and justice that have pervaded American political thought. The common assumption today that there exists a separateness between politics and the economy is the result of a gradual process of splintering between economy, polity and society that has grown throughout the course of American political history.

When I speak of an economic or material context for political ideas and concepts, I am not trying to isolate a material cause for political ideas but rather to show that there is, as Weber argued, an elective affinity between material forms of life and the ideas that social actors use to understand, rationalize and legitimize them.<sup>25</sup> My central contention in this study is that the idea of economic equality has suffered from what I see to be terminal erosion and this is a specific result of the implications of the ethos of American liberalism. American liberalism's emphasis on economic autonomy and individualism—specifically through the doctrine of the labor theory of property—was at first a radical cry against the extreme inequities of the American economy in the nineteenth-century and it was a way to combat what was being seen as the rising aristocratic nature of American capitalism. But by the end of the twentieth-century, this liberal ethos turned into an apologia for inequality in an age where American capitalism's legitimacy is beyond question. The liberal ethos became a justification for individual economic outcomes irrespective of whether they were socially positive or negative. American liberalism therefore found an elective affinity with certain forms of economic inequality in late

capitalism; in other words, it evidenced an attraction between economic structure and processes and the ethic of liberalism. This is an argument that can only be explained historically; and it is one that therefore relies heavily on the changing nature of American capitalism as a context for political ideas.

The economy is therefore not a crude causal mechanism transforming political and social ideas. Political ideas are not manipulated by an economic elite or ruling class; rather, the terms of political debates are deeply affected by the kind of economic structure within which they are generated. The economic context of an era grounds the assumptions about how justice relates to the economic sphere; it relates the ways that people think about distribution, inequality and democracy, and it forms new institutions of labor relations. All of this happened in American political and economic history, especially the development of the institution of wage labor which radical critics of the time attacked as creating new forms of servitude.<sup>26</sup> American political and social history is unique in this regard and instructive for others: the formation of an economy developed in tandem with the development of political ideas and institutions. In American social thought, the economy emerged out of the concept of “society”: that sphere of human life which was wholly associative and which was in opposition to any kind of coercion—i.e., the realm of the political.<sup>27</sup> Therefore, arguments about economic equality were bound to the concrete, material manifestations of the economy that writers and critics lived within and within which they participated. Early America was characterized not by urban commercial centers and their industrially clad horizons. The majority of Americans were either farmers, artisans, small business owners, with only a small class of industrial

workers. Their existence was marked by relative equality and it was therefore able to ground a robust notion of liberal economic autonomy.

I will break up the analysis into three sections which correspond to three broad periods of the development of American capitalism. The reason for this rough periodization is not to make any specific point about American economic history but rather to show that different debates, different issues and different understandings of the idea of economic inequality manifest themselves in the writings of different thinkers in each of these periods. The three periods correspond to the major shifts in American capitalist development: the first being one of an emerging capitalism, small in scale, mainly petty-bourgeois and local in nature. The second phase of development, which begins to become predominant in the decade following the Civil War, sees the emergence of the large corporation, the growth of heavy industry and the phenomenon of mass urbanization and a cohesive working class. It is also marked by deepening inequality and the radicalization of workers. The third period corresponds to what we know as the post-industrial era where the class structure of the nineteenth- and first half of the twentieth-centuries become less rigid and corporate wealth gains political and cultural influence.

Corresponding with these changes in the structure of capitalism, I will isolate three different periods in the evolution of the conceptualization of economic inequality and the ways that different writers and thinkers sought to fit the material realities of class divisions into their understanding of American democracy. This leads to a general schema that resembles a broad historical arc: first, a period of *formation* when thinkers were trying to fit ideas of property, wealth, commerce and the emerging realities of the new American economic system together with the political values of democracy and

equality. But as capitalism began to develop and mature and inequalities began to rise, a fierce criticism of inequality began to emerge. This criticism began as a radical critique of economic modernity but soon gained broader influence. By the time that the nineteenth-century was coming to a close, the skepticism of laissez faire capitalism was setting in and it effected a change in the way that elites began to view inequality. The Progressive era and the New Deal were therefore the result of a reconceptualization of American liberalism to incorporate earlier republican themes as well as a deeper, more modern conception of democracy. The second phase of the discourse on economic inequality therefore constitutes the ascendancy of egalitarian ideas and their translation from moral critiques to social policy and political institutions.

The last period, a period of *defeat* for the egalitarian tradition, sees a transition to a justification or, perhaps better, an apathetic political acceptance of economic inequality and the prevailing economic order. This period, a period of defeat for arguments against economic inequality, is an age where economic interests eclipse political concerns. A movement away from political society—where the political ideals of democracy and equality came before the interests of economic agents—is what prevails in contemporary American political life. And throughout each of the three phases or periods, as the discourse on economic inequality changed, there was also a corresponding tradition, an anti-egalitarian intellectual tradition that was in contrast to the egalitarians in the sense that it sought to argue that inequality was in fact compatible with democracy and other forms of political or legal equality. Inequality was necessary for social progress and would, in the end, be more beneficial for society than outmoded and utopian ideas such as economic equality.

It is important to remember that I am arguing that the way that economic inequality is debated through American history and the different issues that are brought up in those debates are not directly caused by the material context of the time, rather it is that they must grapple with the material realities of the time. The growing severity of class inequalities in the latter decades of the nineteenth-century did not alone cause thinkers to pick up their pens in the interest of preserving some semblance of equality. The empirical world acts simply as a context, as an arena within which ideas work and within which they are interpreted. Each of the three periods are chosen not because of some need to find causality between the economic or material context and the ideas at hand, but because the ideas of the time must grapple with different economic realities.

The idea that economic liberty and political liberty enjoy an equal emphasis in American political thought and culture is a development of the Lockean separation of politics from economics. But it is precisely here that the relationship between equality as a political ideal and its manifestation economically becomes problematic. American political culture has typically seen economic equality and liberty as mutually exclusive and it is only when the dominant paradigms of American institutions—such as the capitalist marketplace—are challenged that any gains in economic equality are made. What this points to is one of the salient themes of this study: that the persistence of economic inequality in America more broadly and its intensification and justification in recent decades are both grounded in the very structure of American liberalism itself. American liberalism, distilled from the ideas of Hobbes and Locke, divides the political and economic realms producing a political ideology—which has intensified in recent decades—that sees the market as a primary source of human liberty.

But whatever the case may be, the only way to deal with the methodological problem of the relation between the material aspects of society and its idealist or ideational moments is to see that they fit together as text and context. Historically speaking, the analysis of politics is useless without being cognizant of the material interests that were present at hand as well as the predominant political traditions and political culture that it interacts with. The way we should approach the relation between the economy and political history is therefore not purely Marxian in nature, nor is it purely Weberian: instead, we need to see that ideas matter, but only once they are tempered by the material context they inhabit. Economic inequality is, in this sense, both an empirical condition and it is a condition which impacts the political ideas of freedom and democracy. It is in the unique nature of American political culture—one that has historically emphasized equality, liberty, fairness, etc.—that the contradiction that economic inequality poses can be most appreciably glimpsed. Without seeing this inherent contradiction, the study of the political aspects of economic inequality cannot be fully appreciated.

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<sup>1</sup> Jean-Jacques Rousseau, *Discourse on the Origin of Inequality*, p. 44 (Indianapolis: Hackett Publishing, 1992).

<sup>2</sup> Max Weber, “The Nature of Social Action,” p. 17 in W. G. Runciman, (ed.) *Weber: Selections in Translation* (Cambridge: Cambridge University Press, 1978).

<sup>3</sup> For a fuller reading of Marx’s concept of ideology, see John McMurtry, *The Structure of Marx’s Worldview*, pp. 123-156 (Princeton: Princeton University Press, 1978) as well as Shlomo Avineri, *The Social and Political Thought of Karl Marx*, pp. 65-77 (Cambridge: Cambridge University Press, 1968).

<sup>4</sup> Avineri, op. cit., p. 76.

<sup>5</sup> For an important discussion about the relation between ideas and their material context, see Stephen Eric Bronner, *Ideas in Action*, pp. 1-13. (Lanham, MD: Rowman and Littlefield, 1999).

<sup>6</sup> This distinction between what I am referring here to as “hegemonic” and “insurgent” ideologies is influenced by the way that social consciousness was approached by thinkers like Georg Lukács in his *History and Class Consciousness* (Cambridge: MIT Press, 1971) and Karl Mannheim in his *Ideology and Utopia* (New York: Harvest Books, 1936). For an excellent discussion of ideology from this point of view, see George Lichtheim, *The Concept of Ideology and Other Essays*, pp. 3-46 (New York: Random House, 1967).

<sup>7</sup> Clifford Geertz, “Ideology as a System of Common Sense,” p. 84 in his *Local Knowledge: Further Essays in Interpretive Anthropology*, (New York: Basic Books, 1982).

<sup>8</sup> Michael Freeden, *Ideologies and Political Theory*, p. 76 (Oxford: Oxford University Press, 1996). Also see the interesting treatment of Freeden’s ideas in the realm of economic thought by Kenneth Hoover, *Economics as Ideology: Keynes, Laski, Hayek and the Creation of Contemporary Politics*, pp. 259-270, (Lanham, MD: Rowman and Littlefield, 2003).

<sup>9</sup> Bernard Bailyn, “The Central Themes of the American Revolution: An Interpretation,” in *Essays on the American Revolution*, Stephen G. Kurtz and James Hutson, eds. (Chapel Hill: University of North Carolina Press, 1973).

<sup>10</sup> Robert Shalhope, “Republicanism and Early American Historiography,” *William and Mary Quarterly*, 39 (1982), quoted by John Patrick Diggins, *The Lost Soul of American Politics*, p. 351 (New York: Basic Books, 1984).

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<sup>11</sup> Diggins, op. cit., p. 351.

<sup>12</sup> Melvin Richter, "Reconstructing the History of Political Languages: Pocock, Skinner and the *Geschichtliche Grundbegriffe*," p. 55 *History and Theory*, vol. 29, Issue 1.

<sup>13</sup> J. G. A. Pocock, "Languages and Their Implications: The Transformation of the Study of Political Thought," p. 25 *Politics, Language and Time: Essays on Political Thought and History* (New York: Atheneum, 1971).

<sup>14</sup> For a discussion of this critique of Pocock and Skinner, see Mark Bevir, "Mind and Method in the History of Ideas," *History and Theory*, vol. 36, no. 2. (May, 1997), pp. 167-189.

<sup>15</sup> It should be noted that there is no shortage of critical perspectives on the work of Pocock and Skinner which follow along a similar line. See R. Ashcraft, "On the Problem of Methodology and the Nature of Political Theory," *Political Theory*, 3, 1975 as well as Gordon Schochet, "Quentin Skinner's Method," *Political Theory*, 2, 1974. For a defense of Skinner and Pocock against these critiques, see Peter L. Janssen, "Political Thought as Traditionary Action: The Critical Response to Skinner and Pocock," *History and Theory*, vol. 24, no. 2, 1985.

<sup>16</sup> J. G. A. Pocock, "Time, Institutions and Action: An Essay on Traditions and Their Understanding," p. 237 op. cit. Also see Quentin Skinner, "Meaning and Understanding in the History of Ideas," *History and Theory*, vol. 8, 1969, pp. 3-53.

<sup>17</sup> Terence Ball, *Transforming Political Discourse: Political Theory and Critical Conceptual History*, p. 16 (London: Basil Blackwell, 1988).

<sup>18</sup> See Bronner, op. cit. p. 10.

<sup>19</sup> Pocock, op. cit., p. 234.

<sup>20</sup> Bronner, op. cit., p. 9.

<sup>21</sup> Georg Simmel, "The Study of Societal Forms," p. 21 in *The Sociology of Georg Simmel*, (ed.) Kurt Wolff (New York: The Free Press, 1950).

<sup>22</sup> Lichtheim, op. cit. p. 19. For a discussion of Lichtheim's conception of ideology, see John Raphael Staude, "Review: *The Concept of Ideology and Other Essays*," *History and Theory*, vol. 8, no. 1, 1969.

<sup>23</sup> Indeed, this was a concern for Lukács and Mannheim as well. Lukács would seek to emphasize the importance of the dialectical link between the objective economic conditions of any given moment and the particular way that ideas "reflected" upon them. Hence, it is on the intelligibility of the objective processes at work which account for the insight needed for political action. Mannheim would argue that it was not the working

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class which would gain this degree of intelligibility—as Lukács argued in *History and Class Consciousness*—but, rather, the intelligentsia.

<sup>24</sup> For an application of the latter, see Martin J. Burke, *The Conundrum of Class*, (Chicago: University of Chicago Press, 1996). The theoretical origin of the *Begriffsgeschichte* approach can be seen in Reinhard Kosellek, *Kritik und Krise; Ein Beitrag zur Pathogenese der Bürgerlichen Welt* (Freiburg: K. Alber, 1959).

<sup>25</sup> For an exposition of Weber’s ideas about “elective affinities,” see his “The Social Psychology of the World Religions,” pp. 284-85 *From Max Weber: Essays in Sociology* (New York: Oxford University Press, 1958). For an analysis of the relation between “elective affinities” and the problem of causality, see Fritz Ringer, *Max Weber’s Methodology: The Unification of the Cultural and Social Sciences* pp. 150-168 (Cambridge: Harvard University Press, 1997).

<sup>26</sup> See chapter three of the present work.

<sup>27</sup> For an interesting discussion of the way that economic relations and economic change and the origins of early American capitalism which takes on a more cultural interpretation, see Christopher Clark, *Roots of Rural Capitalism: Western Massachusetts, 1780-1860* (Ithaca: Cornell University Press, 1990); Alan Kulikoff, “The Transition to Capitalism in Rural America,” *The William and Mary Quarterly*, vol. 46, no. 1, 1989, pp. 120-144. For a perspective on the historical shift from early American capitalism to industrial capitalism, see Alfred Chandler, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge: Harvard University Press, 1977). For a discussion of Chandler’s work, see Thomas McCraw, “The Challenge of Alfred D. Chandler, Jr.: Retrospect and Prospect,” *Reviews in American History* vol. 15, no. 1, 1987, pp. 160-178. Also see Martin Sklar, *The Corporate Reconstruction of American Capitalism 1890-1916* (Cambridge: Cambridge University Press, 1988). These writers offer major perspectives on historical shifts in American economic life and their implications of the institutional change of the economy. The structural shift in capitalism as a system toward more concentration and a shift in organizational control was also seen much earlier by Rudolf Hilferding, *Finance Capital: A Study of the Latest Phase of Capitalist Development*, (London: Routledge and Kegan Paul, 1981).

## CHAPTER II

### **Economic Inequality in Western Political Thought: The Continuity of an Idea**

*An imbalance between rich and poor is the  
oldest and most fatal ailment of all republics.*  
—Plutarch

The problem of economic inequality in American political thought is intimately tied to the broader understanding of the problem that evolved within the western political tradition of political philosophy. It is a tradition that stretches back to the classical world and was renewed again and given new life during the seventeenth- and eighteenth-centuries. Motivated by the perennial problem of economic inequality, usually in the form of divisions of property, western political thought engaged the issue with respect to universal principles of public good and individual welfare. But it is also important to point out that the tradition also constituted the very material that American critics would also use in their analyses. Americans saw their own political project as breaking with the problems that plagued the past. Nevertheless, there is a continuity in the egalitarian tradition that is rooted in the western tradition itself and then is developed in modern thought beginning with the Enlightenment. Whether in ancient Greece or in nineteenth-century England, the existence of market institutions have been at the source of economic inequality, but also what motivated a critique of economic society at the expense of political society.

The importance of sketching the continuity of the approach to economic inequality lies in its power to illuminate the way that western political thought saw that economic divisions of power were intimately tied to political imbalances of power; how the an integrated political life was an outgrowth of . The economic sphere was seen as

subordinate to the political; and it was for this reason that the anti-aristocratic impulse that emerged with the Enlightenment could also find affinity with the republican impulses of Greek and Roman political thought. It is also little surprise to see that in early American political thought, there was a similar concern for the link between economic power and political power; that the republican experiment that American thinkers sought to construct was firmly based on ideas derived from the long tradition of western political thought which saw that individual freedom and happiness was premised on some degree of economic equality. The relation between economic equality and political stability, the enhancement of human liberty and the desire to prevent the excess of political power in the hands of the few and construct republican institutions which were in agreement with these broad political aims is therefore informed by this long egalitarian tradition in western political thought.

Since the rise of market societies in the Mediterranean world, inequalities of wealth and property were the cause of endless strife and social and political fragmentation. In the Bible, injunctions against inequality of wealth and property are numerous. The Jewish and Christian traditions warned specifically against advocating for the rich at the expense of the poor and this inevitably translated into many ethical notions and values in western political thought. However, it was in classical philosophy, in Greece primarily, that the discourse on economic inequality became paramount and concerned with effects on political life and social cohesion became central. Thinkers as diverse as Hegel and Matthew Arnold, as well as David Hume and John Stuart Mill, were steeped in the political philosophy of Greek thinkers and it was the notion of the *polis* that informed many of their ideas about social solidarity in the face of political and

economic fragmentation. Their aversion to inequality arose from a concern for a conception—sometimes vague—of public good which was put in danger by the reality of political fragmentation and strife caused by the excesses of economic inequality.

This tradition necessarily begins with the Greeks and their concern for the relationship between inequality in property and the existence of stable political communities.<sup>1</sup> What is so important in Greek thought over the Jewish and Christian traditions and their moralistic injunctions against inequality is the fact that in Greek thought there was the attempt to understand unequal distinctions between human beings in a material and sociological context and not as a matter of vague ethical precepts. As Sanford Lakoff has argued when discussing Judaism and Christianity and the problem of inequality, “[i]n neither of these instances, however, is there an unambiguous and systematic effort to invalidate earthly distinctions except with reference to the ultimate source and destiny of all being, expressed in the belief in the equality of all souls before God.”<sup>2</sup> What Greek thought made evident was that economic inequality was a distinctly political concern, that it had deep social implications, not to mention moral ones, and that material inequities between different classes and individuals would constitute a dissolution of social solidarity and the political community itself. It is this aspect of the Greek discourse on economic inequality that serves as the foundation for later European and American understandings of inequality and its effects.

Looking at the historical continuity of the idea of inequality is important first of all to show how much of a deviation the modern turn against equality is from the western political tradition as a whole. It is of course true that very few thinkers within the tradition ever advocated a radical form of equality—an absolute equality in property, for

instance—but what is true and essential to see is that there is a consistent notion that the sphere of politics must protect against extreme forms of inequality not simply because of reasons of ethics but for reasons more fundamental: that economic inequalities lead ineluctably toward social and political fragmentation and that, even for thinkers such as Plato who were not democratic thinkers, the very cohesion and even possibility for the existence of society was threatened by exacerbated inequalities which caused social divisions and threatened the harmonious relations between individuals within the political community. The coherence of this position extends from the political philosophy of the Greeks through the Enlightenment and modern liberalism even though there are changes to the doctrine in each of these periods.

A crucial dimension in the recent transformation of the discourse on economic inequality in western political thought has been the historical shift from what one could call *political society* to *economic society*. Economics has traditionally been seen as a corollary to political life, one that was subordinate to the needs of society and therefore, as Max Weber remarked, a *political science*. Adam Smith's *The Wealth of Nations*, for instance, was not intended as an economics text as we would interpret it in the modern sense. Rather, it was an inquiry into the ways in which wealth could be produced thereby enhancing social life for all by the increase in living standards. Similarly with David Hume, Rousseau, Hegel, Tocqueville, John Stuart Mill, Matthew Arnold and other thinkers of the modern period, politics was privileged over economics in the sense that human freedom and development required economic advancement, but it was politics that was still the central organizing art which joined morality and interest in a common purpose. But even though this was the case, there was the implicit understanding among

such thinkers that there was a cohesive relationship between the market, morality and politics. That what they saw to be human development and progress was not something inherent in only one of these institutions, but that each of them mutually supported one another.

There exist two broad conceptions of economic equality in western political and social theory. The first, which we can call the utopian or strict form of equality, argues that only a communal sharing of social wealth and property—usually an elimination of private property—will result in true social justice. The other type of equality argues that a toleration of small gaps of inequality between social groups or classes is permissible to the extent that the political and social power between those groups does not diverge to a significant degree. Therefore, the core axis around which the discourse on economic inequality rotates is not, in fact, between competing conceptions of economic or social equality but on the adverse effects of inequality itself. Thinkers throughout western political thought have seen in economic inequality the seeds for the unraveling of society; of the creation of social divisions and dissension; of the corruption of ideas of the public good; and, finally, erosion of any conception of political or individual freedom through the creation of unequal relations of power such as oligarchy and aristocracy.

By tracing the trajectory and development of the discourse on economic inequality throughout ancient and early modern political thought, we can set the stage for the way that the discourse of economic ideas was framed in early American political thought. One of the most important issues in understanding the relation of economic inequality to politics is by understanding the way that the economy was interpreted as an institution. Today, it is customary to approach the economy simply as a formal system of

exchange, prices, production and distribution, as an amoral institution working according to its own internal logic. This is the result of the distinction between what was known as the “natural economy” and the “moral economy,” a distinction that stretches back to antiquity and to the Aristotelian emphasis on the insight that the economy was subordinate to political and moral concerns of the broader community rather than to self-interest and accumulation.<sup>3</sup> Karl Polanyi makes the important distinction between a formal and substantive understanding of the meaning of the word “economic”:

[T]he term economic is a compound of two meanings that have independent roots. We will call them the substantive and the formal meaning. The substantive meaning of economic derives from man’s dependence for his living upon nature and his fellows. It refers to the interchange with his natural and social environment, in so far as this results in supplying him with material want satisfaction. The formal meaning of economic derives from the logical character of the means-ends relationship, as apparent in such words as “economical” or “economizing.”<sup>4</sup>

Morality and politics were therefore both deeply entwined in older conceptions of the economy and the distribution of its fruits. More importantly, the idea of property and its “proper use” was a discourse that began in classical thought where economics, politics and morality were essentially inseparable. The concept of economic inequality as a danger—both morally and politically—to the unity of society as a whole and as a matter of justice itself was first lucidly raised in Greek thought. Greek political and moral thought had to wrestle with the implications of a market society that, especially in a place such as Athens in the fifth century B.C., had become highly successful economically as well as extremely unequal with respect to the distribution of wealth.

When early American thinkers began to write and think about the meaning of the economy and its function and purpose, they too would need to confront the moral aspects

of the economic system that the new nation would encourage. Indeed, one aspect of justifying inequality in American thought has been achieved by cutting the link between morality and economics. Whereas the early American political thinkers were concerned with the moral and political consequences of property and its distribution—although there was no consensus on this—from the era of industrialism well on to the present, there was a dissociation of economics, property and markets from morality and politics. Whether it was Jefferson’s critical views of an incipient industrial capitalism, John Adams’ belief that inequality would surely rise with the economic development of the nation, or Alexander Hamilton’s promotion of industry and manufacturing as a means to higher social progress and civilization, they were all attempting to redefine the proper moral structure for American economic life. Hence, all discussions of economic inequality in American political thought need to be seen as embedded in a much broader discourse; not only because this was the intellectual background for their debates and the formulation of their ideas, but also because it needs to be seen how drastic a change has occurred over time in the development of America’s political and economic ideas.

By tracing the moral and political assumptions that surround the egalitarian tradition it becomes clear that it was a firm and consistent view among ancient and modern thinkers alike that economic inequalities—most especially when they were acute and extreme—were not only morally abhorrent, but politically dangerous as well and that this idea of material equality—although never seen, except in rare occurrences, as a radical form of egalitarianism—forms a distinct tradition in western political thought; one that is relevant for the discussion of the early ideas of American political and economic thought on the question as well as the continuing debate and ideological transformation

of the discourse on economic inequality in contemporary American political and social thought.

### **Inequality and the Fragmentation of the Greek Polis**

In ancient Greece, the heart of social life was the *agora*, what we would call today the marketplace. But the *agora* was more than a locus for market transaction; it was that place where citizens would debate political issues and discuss ideas and new policies of the city-state. It was the central cultural and communal point around which Athenian democracy was organized. It was the political life blood for the *polis* which, for some in the modern period as diverse as Mill and Hegel, would also be seen as the ideal institutional form for modern democratic life. Indeed, the ancient Greek citizen was one who saw himself as part of a larger communal whole, who saw his interests as bound to the social and political life of his fellow citizens. Such an ideal was not, however, the norm throughout the history of city-states such as Athens and Sparta. The great period of Greek philosophy in the fifth century B.C. was accompanied by a time of great prosperity in Athens, and it is from this economic prosperity—and the economic and social inequality that it produced—that the problem of economic inequality began to emerge as a major theme in classical political philosophy. It was this theme—widely heralded at the time as the “social problem”—which led to some of the core issues raised in classic works such as Plato’s *Republic* and Aristotle’s *Politics*. What these thinkers laid out was a basic political approach to the problem of economic inequality and its relation to political unity and social cohesion. Although it is more common to interpret these ideas in terms of political “virtue,” what needs to be emphasized is that the tradition was much

more concerned with material issues than abstract concepts; their insights into the danger of political and social fragmentation as the result of egoism, economic self-interest and the accumulation of wealth by a minority at the expense of the poor and unpropertied lie at the heart of the western political tradition; for it is a theme that emerges time and again throughout the development of western political thought.

The philosophical and ethical backdrop for the entire discourse on inequality in classical Greek thought is the idea of a cohesive, harmonized moral political community, one whose very viability was at risk once social classes became more stratified and the animosity among the poor toward the rich became increasingly disruptive or the power of wealthy oligarchs begins to erode any sense of social solidarity among citizens in the community. Economic inequalities therefore posed a threat to the communitarian basis of Greek political society and what was at stake in the discussion of inequality was therefore the preservation of society itself at the expense of political and, even more serious, social fragmentation and the unraveling of civilization itself and the return to a state of nature.

This discourse begins in the first decades of the fourth century B.C. in Greece and continues until the Roman conquest in the middle of the second century B.C. New economic processes began to have a severe impact on the economic life of ordinary citizens. First there was a decline in small and medium land-holding as property began to agglomerate into fewer and fewer hands resulting in large agricultural properties owned by a small but powerful elite. Second, there was the emergence, through the growth of trade and small-scale manufactures, of a quasi-capitalist economic system, especially in cities such as Athens and Sparta. This meant the decline of the agricultural middle class,

something that had been a constant in Greek economic life from the Persian Wars through the end of the Peloponnesian War.

These structural economic changes led to a new awareness by philosophers, writers and poets of what has been called the “social problem” of classical Greece, defined essentially by what was commonly discussed at the time as “poverty versus riches” (*penia kai ploutos*). Economic inequality was such a serious problem that much of the literature of the time is replete with this theme. Aristophanes’ final two plays, his “Ecclesiazusae” and his “Ploutos,” are both about the elimination of economic polarities and the foundation of wholly new and utopian economic systems where absolute equality reigned and private property was eliminated. Economic equality is seen as a panacea, the solution for all of the “sore evils” (*anekesta kakon*) of society, and even though Aristophanes clearly intended his egalitarian utopias as comic, the idea that such a theme would have appealed at all to Athenians shows how much the problem of material inequalities was a theme of major importance. It is a theme that is also present in other literature of the time. *The Holy Writing* by Euphemeros envisions an imaginary city, “Panachia,” where there is no private property outside of one’s home and a small plot of land surrounding it and everyone works according to their abilities and receives according to their needs (although the class of priests are given twice their share). Utopian visions of absolute economic equality are also seen in Iambolous’ *Island of the Sun* where a communistic society exists in a state of complete equality and brotherhood and without competition and social strife.<sup>5</sup>

This was a theme that also emerges in Plato’s *Republic* where he observes that the nature of the modern city consisted of “not one, but two states, the one of the poor and

the other of rich men; and they live on the same spot and are always conspiring against one another.”<sup>6</sup> The problem with inequality is raised in the *Republic* where the very conception of justice and the just city is taken up, in part, in relation to the distribution of property. It is also the place where the idea of economic equality is taken up explicitly in response to what many thinkers saw at the time as the increasing fragmentation of the *polis*—especially in Athens—as wealth disparities grew and society was fundamentally divided between an ever richer mercantile class and large-scale agricultural property owners on the one hand, and workers, slaves and small-scale farmers on the other. Plato’s idea of the perfect city characterized by the ideal of justice emphasized the importance of emphasizing the whole (*holē*) over the parts and the promotion a harmony (*harmonia*) among the different social segments of the political community and its various classes. When discussing the ideal city in Book IV of the *Republic*, Plato has Socrates say:

[W]hat we had in mind when we founded the city was not how to make one class happy above the rest, but how to make the city as a whole as happy as it could be. For we believed that in such a city we were most likely to find justice, and injustice again in the worst managed city; then we might examine them and decide the matter which we have been searching all this time. Well then, now, as we believe, we are molding the happy city; we are not separating a few in it and putting them down as happy, but we take it as a whole.<sup>7</sup>

In Plato’s classic argument, justice is not to be found in good acts or in the mere existence of “just” laws and virtuous rulers. More importantly, justice is found in the arrangement of *social structure* itself; it is manifest in the specific way that the *polis* is organized with all having equal shares because each class depends on the activities of all others the promotion of economic equality is therefore part and parcel of the project of

building a just city. This view that justice is to be realized in the very organizational structure of society itself is in sharp contradistinction to Biblical injunctions against the inequality of wealth and property which were based more on a vague moralism and on theological foundations rather than a sociological and materialist understanding of the concept of justice. Plato's *Republic* therefore privileges economic equality in the light of a broader political and moral concern for social solidarity and the desire to prevent the fragmentation of community and the dissolution of political society itself. Economic inequality is not viewed simply in the light of justice or fairness, it is also, and to a certain extent more essentially, viewed in terms of the very existence of a political community itself.

The general view of social harmony and wholeness informs classical Greek and Roman political theory and it is central in understanding the basic foundations for the discourse of economic equality in western thought. Plato as well as other Greek thinkers of the period saw that the institution of the *polis* was something that was *naturally formed* not something that *existed naturally*. The difference is crucial: individuals come together for mutual support and to take advantage of the different abilities that each individual, family or class has to offer. Society flourishes only when it is efficient and each person is able to dedicate himself to his task and therefore enrich the totality of the *polis*—individual self-sufficiency was dependent on the maintenance of the social totality, a theme that would also emerge in American political thought on the subject of inequality. The ethical-political ideas that Plato advocates in the *Republic* are therefore not metaphysical concepts, they are a function of the vision of the material operation of a just society and the specific type of harmony that was valued. The necessity for economic

equality flows from the realization that for justice to be made real in the world, people ought not to be treated differently but with equality since each in his own way contributed to the good of the whole. This was not only a moral concern; it was also central to see that the economic foundation of the state lies in the cooperative nature of citizens and this, in turn, meant that the state found its very legitimacy and binding force in human need itself: in the idea that man was a political animal, as Aristotle would later articulate it.<sup>8</sup> Hence, economic disparities did not simply spell injustice, they were a prelude to the very breakdown of social cohesion that held society itself together.<sup>9</sup>

The causal moment for the writing of the *Republic*, in many ways, and the intensification of political philosophy during the fifth century B.C. more broadly, was the tacit realization that inequalities in wealth and property were causing inequalities of power and influence that were emerging as a clear threat to the *polis*. This was a central problem not simply because of economic considerations; it was a core political problem because it meant not only injustice, but a constant attempt by those that were economically weak, and growing in number, to transform—usually by means of violence—the structure of society. This meant that the *polis* was fragmenting not simply in class terms, but in moral and political terms as well. Throughout the period of the fourth century B.C. in many of the Greek city states as well as Greek islands such as Syracuse, Cos, Lesbos and Naxos, among others, there were political revolutions which had as their underlying justification the redistribution of property as well as economic and social equality and the abolition of debts.<sup>10</sup>

The problem of the fragmentation of the *polis* as a result of increasing economic polarity is one of the key messages behind Isokrates' various attacks on inequality and

the degeneration of the Athenian *polis* in his orations. In his *Areopagiticus* he recalls a golden age of Athens when “the wealthy were better pleased to see men borrowing money than paying it back. For they therefore experienced the double satisfaction, which should appeal to all right-minded men, of helping their fellow citizens and at the same time making their property productive for themselves.”<sup>11</sup> For Isokrates, the key was a sharing by the wealthy with the poor, and on a voluntary basis motivated by an ethical impulse for social solidarity. The great social problem of ancient Greece, that of “poverty versus wealth,” was therefore to be solved not by a radical egalitarianism—as advocated in the literature of the time and in Plato’s *Republic*—but through a voluntary sharing of property by the rich with the poor through the impulse of their (the wealthy’s) morality and their devotion to the *polis* itself. It was a political concern with the public good which would motivate all citizens to lessen inequality, promote social solidarity and leave egoism and greed behind. Isokrates saw the tendency to ease social and material inequalities as the moral basis for the *polis* and he saw that the growth and expansion of markets and inequalities in wealth and property created a lapse in both public and private morality. Economic inequality was therefore dangerous to the moral fabric of society and the individual and it implied a much wider form of social breakdown than “mere” political injustice. It was therefore not the case that the argument for economic equalities existed from the start only in utopian form, one that saw the leveling of all distinctions and abilities. Rather, it was one that saw the solution to social fragmentation and political disintegration that arose from the resentment of economic polarity as the pursuit of a middle-path between the excesses of property and wealth and the utopian visions of absolute equality and communal ownership.<sup>12</sup>

Plato, too, saw this to be the case about 20 years after writing his *Republic*. Rigorous forms of equality were, as Kurt Raaflaub has argued, “not a serious issue, and belonged in the sphere of comic surrealism and abstract theoretical schemes,”<sup>13</sup> which meant that more pragmatic solutions needed to be found as Isokrates himself had hinted to in his orations. In his *Laws*, Plato argues that inequalities of wealth may in fact be unavoidable and it is therefore necessary to concentrate on narrowing the gap between rich and poor rather than seeking to eliminate it completely.<sup>14</sup> He argues that this can be done through state laws which would not allow for a level of inequality between its richest and poorest members to exceed a factor of four. As John Wallach has observed, Plato’s intention was the minimization of social conflict through the narrowing of economic disparities: “[t]his relatively small gap in the material conditions of rich and poor is necessary to facilitate political action, prevent disputes from arising among citizens, and achieve the greatest possible unity of the *polis*.”<sup>15</sup> Unlike the argument in his *Republic*, Plato is not trying to argue for some utopian schema that will be the blueprint for the ideal state as in his *Republic*; rather, he is attempting to deal pragmatically with the seemingly natural inequalities that spring up within market society and a form of equality that, although not strict and absolute in nature, can still mollify the social and political disintegration that economic inequities necessarily cause.

Isokrates, then, initiates a new perspective on the discourse on inequality: that of “moderation” (or what the Greeks themselves termed *metriotes*). For both Isokrates and for the later Plato the concern becomes how we can narrow and then manage inequalities rather than trying to eradicate them completely. Both insist not on a strict and absolute communistic form of economic equality as advanced in the *Republic* and the utopian

literature of the period, but through the revival of a civic morality where the rich voluntarily help the poor (Isokrates) or through laws, implemented by the state, which will not tolerate class inequalities beyond a certain, fixed measure (Plato's *Laws*).

Both of these concerns merge in Aristotle's treatment of the problem of economic inequality. For Aristotle, the issue of material equality was taken up in his discussion of political science in the *Politics* but it also has roots in his discussion of justice in his *Nicomachean Ethics*. In his ethical formulation of justice, Aristotle argues that the unjust man is one who "breaks the law and the man who takes more than his share, the unfair man. Hence it is clear that the law abiding man and the fair man will both be just."<sup>16</sup> For Aristotle, the terms for "taking more than one's share" (*pleonectes*) and the "unfair" (*anisos*) are important categories in discussing the problem of justice. The concept of *pleonexia* is one that is central to the moral dimensions of economics for the Greeks since it is more equivalent to greed and rapacity than to the more polite rendering—and the one preferred by John Stuart Mill—of taking more than one's share.<sup>17</sup> But the key insight that the *Nicomachean Ethics* puts forth is the notion that there is some kind of median amount beyond which one can exceed in terms of possessions and therefore become unfair (*anisos*) and then unjust (*adikos*). The dynamics of the economy were not to be seen simply in individualistic terms. Grounded in broader concerns of moral life and community (*koinonia*), the economy was to be "subordinate to the broader communal and political needs of the *polis*."<sup>18</sup>

Although Aristotle is typically seen as the political antidote to the theory of the Platonic state in the sense that he advocated private property over that of common property, his notion of equality—although not as radical in its impulses as Plato and

Isokrates and other thinkers of the time—and his insistence, like that of Plato in his *Laws*, is that there be a manageable inequality between classes and that the rule be a moderate equality rather than extremes of wealth and poverty.<sup>19</sup> Aristotle sees political societies as tending toward two kinds of institutions, both of which arise from unequal property relations. First there is oligarchy which arises from the concentration of property and wealth among the few and the second is democracy where all are relatively equal in terms of property and political power. The problem, as Aristotle sees it, is that both forms of organization are imperfect since they both lead to social instability. Oligarchy is the worst of the two since “in oligarchies two sorts of faction arise: one among the oligarchs themselves and another against the people.”<sup>20</sup> Democracies are also prone to social unrest since “the only faction is against the oligarchs since there is none worth mentioning among the people themselves.”<sup>21</sup> This leads Aristotle to his basic position on equality and its political implications: “a constitution based on the middle classes is closer to a democracy than to an oligarchy, and it is the most secure constitution of its kind.”<sup>22</sup> This is clearly not a kind of equality similar to Plato’s in the *Republic*; it is specifically defined in opposition to that form of communistic equality (*koinonesantes*) which, according to Aristotle, Plato advocates there. Aristotle offers a justification for moderation, an argument for the attenuation of material inequalities of property and political power to which they give rise and the creation and maintenance of a more secure, and therefore more just, political society based on an approximate equality grounded in the middle class.

Aristotle’s fear of social and political faction (*stasis*) is not unlike that of James Madison in his Federalist 10, where social divisions based on competing and clashing

economic interests will cause political fragmentation and even the possibility of social breakdown or of some other kind of political domination such as tyranny or oligarchy. The problem of unevenly distributed power and wealth is not simply ethical in nature, it is, as we saw with Isokrates and with Plato, a central concern for what Aristotle himself terms a “secure constitution.” This arises from his discussion of revolution in book five of his *Politics*. The secure constitution guards against political divisions, economic factions and the disintegration of the community. And at its base lies the need for preserving some degree of economic equality, “to make all attempts to mix together the multitude of the poor and that of the wealthy or to increase the middle class (for this dissolves party factions arising from inequality.)”<sup>23</sup> It is also one which is more just in the sense that “justice is the common benefit,” which is the guiding principle in Aristotle’s conception of political justice. Aristotle’s conception of politics is anthropological in nature: he sees the *polis* as the institution which defines the human subject. Unlike later liberal theories of the pre-political nature of man, Greek thought—and Aristotle in particular—saw that it is in the mutuality of man’s existence that politics and justice were created. Aristotle’s idea of the human subject defined as a “political animal” (*zoion politikon*) is one reason why he identifies justice with the common good and why he also argues that a democracy of the middle class and the attenuation of extremes of poverty and wealth is the best form of political society since it is one that is most just and, at the same time, least prone to faction, revolution and social fragmentation.

The idea of economic equality therefore lies at the heart of classical political and social thought. By seeing that the economy was not a separate sphere of human activity,

but one that was thoroughly embedded in the social, moral and political life of all citizens, the implications for inequality and its relationship to social and political stability were taken seriously. It is around the concept of “moderation” or *metriotes* which the political arguments for economic equality will be organized in the modern world.

Although communism and anarchism—among other utopian political ideologies—put forth radical forms of equality, this was not what most thinkers and reformers argued for when they sought economic equality. The two broad strands of argument on economic equality—utopian or communistic on the one hand and practical or moderate on the other—will therefore dominate the political and economic debate in the modern era as capitalism and a new market society emerges to shape new social divisions and new social struggles.

### **Inequality and the Modern Context: The Enlightenment and Modernity**

If the ancient world viewed inequality as a primary cause of social unrest and the fragmentation and disintegration of political society, the modern perspective from the Enlightenment onward was infused with a similar but still quite different ethos. The great social problem of inequality became a reality in ancient Greece precisely at the time when its own form of market society was flourishing in Athens and other city-states throughout the region. It became a core issue of political and social reform and leaves its mark on the literature and philosophy of the time. When economies began to grow once again in Europe and trade began to expand in the later middle ages, new concerns over inequality began to emerge. Machiavelli’s *Discourses* argues that the only way to preserve a republic of free citizens is in the limitation of unequal wealth (see book I, ch.

55). The relation between civic equality and economic equality was seen to be inherently linked since extremes of wealth and poverty led to either corruption or the desire for revolution: “Let, then, a republic be constituted where there exists, or can be brought into being, notable equality.”<sup>24</sup> But by the eighteenth-century, there had already been countless peasant revolts, many of them now seen to be organized around the interests of economic equality and the redistribution of property.<sup>25</sup> Economic inequality was therefore something that, even though it had yet to become a major concern of political philosophy, was still a palpable issue at the level of everyday people.

If the Reformation initiated a slow realization in political history of the necessity for political equality, it was merely the birth of a *political* conception of equality and one that did not extend—by its own logic—into the economic sphere. It was with this concern for political equality, the rise of an anti-clerical impulse and the movement against feudal institutions that were at the center of political thought in the early modern period. The Enlightenment would expand the critique to the economy and the need to see political power and property as inherently linked. With the Enlightenment, the notion of equality takes on more radical depth and wider scope and the problem of politics and economics is dealt with for the first time in a modern context. The concern for equality would be tied to the concern for political and social power. Its initial impulse was to cast off the vestiges of feudal society and the forms of social and political hierarchy that they maintained. But political and economic power went hand in hand and this insight was not lost on Enlightenment thinkers. As the economic situation in Europe and the emerging American states became more capitalist and moved from smaller forms of ownership and manufactures in the older agrarian forms of economic life, economic

inequality once again became a pressing issue in politics. This was perhaps made more sensitive due to the fact that the discourse of political equality was also on the rise and arguments for equal treatment by the state had grown decisively since the seventeenth-century.

The problem of the concentration of wealth and property became an explicit cause for reform during the Enlightenment. The discourse on economic inequality during the Enlightenment was intimately tied to the problem of political power and political inequality. Whereas the discourse on political equality was a more pervasive one in England with the Levellers' "An Agreement of the People" delivered to Parliament in 1649 and the ideas of Hobbes and Locke coming shortly thereafter, these arguments were made largely by an emerging middle class which owned property and sought political rights and equality within an out-moded political and social order.<sup>26</sup> But even in Locke, inequalities in the distribution of property were an essential moral concern. Locke argues, in his *Second Treatise of Government*, that the need for the state arises once property has become so unequal in the state of nature that individuals begin to diverge away from natural law—defined as the treatment by each person of every other as equal and fair—which becomes corrupted.

As with the turn in Greek thought on the subject, the pervasive argument for economic equality during the Enlightenment throughout Europe was not one of radical egalitarianism but a critique of inequality and the promotion of social harmony through remedying the excesses of economic disparities. Indeed, it can be argued that this is not the theme that should be focused on when discussing inequality in western political thought. What should be seen, however, is that there is a consistent critique of *extreme*

*inequalities* of wealth or property, and it is this which is the most important, long-standing tradition in western political thought on the subject of economic equality. Indeed, as with the Greeks, Enlightenment thinkers were concerned with the social and political repercussions of economic divisions. Even as they clearly celebrated the newly created market system of the emerging bourgeoisie, which many of them saw tied to an ethos of modern freedom and human progress through economic development and growth, they were also consistently skeptical about the different political interests that they produced and the problems of social division that resulted from the operations of the market and the accumulation of wealth and property. This was the case even for Adam Smith. Although he does not argue for a radical form of equality, his position was that economic interest comes at the expense of public interest:

There are three orders in society—those who live by rent, by labour and by profits. Employers constitute the third order. . . The proposal of any new law by or regulation which comes from this order ought always to be listened to with the greatest precaution and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous but with the most suspicious attention. It comes from an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even oppress the public.<sup>27</sup>

Smith was hardly naïve as to the relationship between economic power, property and civil government. He follows this general trend of arguing against the inequality of wealth and property in defense of civil harmony: “[w]herever there is great property there is great inequality. Civil government, so far as it is instituted for the security of property, is in reality, instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all.”<sup>28</sup> But despite his fear of

social dissension arising from the propertyless—a fear of Aristotle as well as of Plato—Smith does end up arguing something similar to the Greeks with their concern that extreme inequalities can only have a detrimental impact on society as a whole and its “happiness”:

Servants, laborers, and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe, and lodge the whole body of the people, should have such a share of the produce of their own labor as to be themselves tolerably well fed, clothed and lodged.<sup>29</sup>

Inequality is therefore something that Smith, too, sees as generally problematic and tied to a certain civic morality which needs to be the ultimate end of both economy and polity alike.

Aside from the issue of civic morality there was also a concern with the implications of inequality on the operation of the state. In his essay “Of Commerce,” David Hume argues that an equality of incomes is not only preferable as a result of the maximization of happiness, but it is also of primary interest from the larger point of the political community itself.

No one can doubt, but such an equality is most suitable to human nature, and diminishes much less from the *happiness* of the rich than it adds to that of the poor. It also augments the power of the state, and makes any extraordinary taxes or impositions be paid with more cheerfulness. Where the riches are engrossed by a few, these must contribute very largely to the supplying of public necessities. But when the riches are dispersed among multitudes, the burthen feels light on every shoulder, and the taxes make not a very sensible difference on any one’s way of living.<sup>30</sup>

For Hume, there was also the element of power and interest. Economic inequality did not only diminish benefits for the entirety of the political community through decreasing the incentive to pay as wealth accrued in smaller and smaller shares of the population, he also saw that there was a general interest in the rich to oppress the poor by laying an increasing burden on them—by which he means tax burdens—and the protection of their own wealth and power. “[W]here the riches are in few hands, these must enjoy all the power, and will readily conspire to lay the whole burthen on the poor, and oppress them still farther, to the discouragement of all industry.”<sup>31</sup>

What is interesting in the views of Smith and Hume is the way that the realities of economic inequality were inherently political in nature. They seem to have presaged—based on their readings of history—that economic inequalities were inevitable and that there were certain ways that the state could deal with them. But even more, there is the interesting fact that both Smith and Hume knew of the benefits of industry and of modern economic thinking. They made a point of showing that even within the new economic system, the old problems of inequality and their effects would retain their power. Their understanding was far more realistic than many have assumed and it is only with the rise of an ideology that would legitimize these same inequalities that a politics of inequality will begin.

In France, during the later phase of what some have called the radical Enlightenment, figures such as Denis Diderot, Jean-Jacques Rousseau and Baron d’Holbach, among many others, argued explicitly against the concentration of wealth and property on the basis of the political inequality that was its consequence. Others, such as the Italian Count Alberto Radicati or the German plebians Matthias Knutzen and Johann

Christian Edelmann argued for the erasure of social hierarchies and inequalities of all kinds through a massive redistribution of property.<sup>32</sup> Their leveling tendencies are echoed in the following lines of Holbach:

In almost all nations three quarters of the subjects possess nothing. When a small number of men absorb all of the property and wealth in a state, they become the masters of that state. Governments seem to have altogether neglected this important truth. When the public will or law ceases to keep the balance even between the different members of society, the laziness of some, aided by force, fraud, and seduction, succeeds in appropriating the fruit of the labor of others.<sup>33</sup>

The theme of economic inequality and the quality of life of citizens became an important topic before the French Revolution since it was seen as leading fundamentally toward social hierarchy and oppression. This was the radical strain of the Enlightenment and its connection and its focus on the problem of economic inequality, will become an important theme when discussing the way in which this same discourse develops in American political and social thought. But it should be remarked here that this is a deviation from the tradition of moderation since it is a turn toward the radical abolition, or leveling, of all forms of hierarchy. And this theme is important because the view was emerging that economic inequalities were reproducing hierarchies of social power that were the heritage of the feudal past. This was a salient theme in the early years of the American republic, but the concern with economic inequality continued through the nineteenth- and early twentieth-centuries as a dialogue about the problem of political divisions and social fragmentation.

As the nineteenth-century progressed, it was quickly becoming apparent that the primary problem with modernity was to preserve some kind of social integration in the midst of a market-based society. The concern with the state and its relation to the

economy became more paramount along with the problems that inequality and property posed to very idea of modern politics. This is first seen in Hegel's account of the relation between the state and the economy in his political philosophy and his account of ethical life (*Sittlichkeit*) and civil society (*bürgerliche Gesellschaft*). Although Hegel's remarks on inequality are generally seen as a criticism of the doctrine of any kind of equality of property, he did, in fact, see the emergence of the complexity of modern civil society with different social classes (*Stände*) as having adverse effects on the political community. Hegel is very specific about the notion of "natural inequality" something that Aristotle himself—and other ancient thinkers as well—saw as the foundation of inequalities. But Hegel's argument against equality of property ought to be seen as an argument against the utopian aspirations toward absolute equality which he dismissed because of their impracticality. In this sense, he argues for a distinction between political and ethical equality, which is absolute, on the one hand, but not in terms of the equal possession of property: "[m]en are equal, it is true, but only as persons, that is, only with reference to the source of possession."<sup>34</sup> Which means that "the assertion that the property of every man ought in justice to be equal to that of every other is false, since justice demands merely that everyone should have property. Indeed, among persons variously endowed, inequality must occur, and equality would be wrong."<sup>35</sup>

Although some commentators have taken this to be Hegel's final point on the problem of inequality,<sup>36</sup> his discussion ought to be seen in light of the classical discourse on inequality which was critical of communitarian schemes and notions of absolute equality of property. Where Hegel does fit into the egalitarian tradition is in his insistence that the entire political community (*das Allgemeine*) has the responsibility to

prevent excesses of poverty and wealth since this can only cause the growth of social dissension and social fragmentation. Hegel's argument against inequality is—like that of Aristotle and the later Plato in the *Laws*—the fear of the disintegration of the political community: the increase of the poor and those disenfranchised by the new, economic system of modernity which is replacing the older, traditional forms of agriculture and small-scale production, creates a mass of people (*Pöbel*) whose interests are the destabilization of society because of their disenfranchisement. Thus, the complex nature of modernity and of an emerging capitalism need to be attenuated by society and the institutions of the state since injustice, and even the threat of revolution itself, is inevitable:

In states where the poor are left to fend for themselves, their situation may become miserable in the extreme. . . It is not possible for them to obtain their right through formal justice—merely appearing in court—owing to the costs involved in the formal process of justice. . . This contingency must be overcome by the whole community. In the first place special provisions must be made for the indigent in a fatherly fashion.<sup>37</sup>

What Hegel sees is the problem of social integration in modern society between various social classes. Inequality is unjust once it becomes a systemic social problem linked less to the moral claims of individuals against one another than between entire social classes: “whole classes, whole branches of industry can succumb to poverty when the means of this sector of the population produces are no longer sold and their business stagnates. The conjunction of the different factors involved goes beyond what the individual can grasp, and here the state must provide.”<sup>38</sup> It is the responsibility of society as a whole—and the institutions of the state—to remedy these “contingencies” since it is not possible for individuals to remedy them on their own.<sup>39</sup> A moderate form of economic equity is

therefore necessary to enable modern society to be integrated and to have even some trace of the Greek concept of harmony and wholeness, something Hegel specifically wanted to preserve while keeping a modern conception of autonomous subjectivity.

The rise of the liberal state therefore does complicate the tradition of the discourse on inequality in western political thought. For Hegel it was a problem of social atomism caused by the maturation of market institutions. Only the state—the true expression of absolute freedom—was able to quell the divisions that liberal atomism had created in the sphere of civil society. Inequality would be rampant once the economic and political spheres were separate; this would become a major theme in Progressive and New Deal thought: the insight that politics had to be placed at the forefront of economic concerns. The movement against laissez faire individualism would become an important theme in early twentieth-century political thought in America, and its Hegelian flavor needs to be recognized. What Hegel brought forth was the rekindling of the classical themes of Plato, Aristotle and Isokrates: an emphasis on the importance of the ideal of political community and social cohesion and the dangers to public life and political institutions that economic inequality posed to the public good.

As the industrial age matured and the nineteenth-century wore on, the concern with economic inequality grew in intensity. Indeed, although the insight that political and economic power were inherently related did not diminish as the egalitarian discourse progressed through the nineteenth-century, English political and social thinkers began to examine the relationship between “civilization” and economic equality. Matthew Arnold is one of the most lucid thinkers on this theme where the relationship between material inequality, culture and civilization is privileged over the problem of political inequality.

For Arnold, the late nineteenth-century saw the emergence of what he termed the “religion of inequality.” This was due largely to the rise of Social Darwinism which justified economic inequalities between classes as natural outcomes of social struggle and the Spencerian notion of “survival of the fittest.” This was an ideological counterpart to the transition to massive industrial production and urbanization in England and America. But for Arnold, the central problem of economic inequality was the relationship between civilization and the material forms of life that enabled men to acquire it. What was central to Arnold’s analysis was the way that economic inequality robbed individuals of the capacity to acquire not only the preconditions for their material well-being, but also a capacity for education, culture and humanization itself. His concern was with *l’esprit de société* which he saw as equivalent to a society of equality between economic classes.

[A] community having humane manners is a community of equals, and in such a community great social inequalities have really no meaning, while they are at the same time a menace and an embarrassment to perfect ease and social intercourse. A community with the spirit of society is eminently, therefore, a community with the spirit of equality. A nation with a genius for society, like the French or the Athenians, is irresistably drawn to equality.<sup>40</sup>

Arnold’s argument is not unlike that of Marx who, about thirty years earlier had discussed in his *Economic and Philosophical Manuscripts* the deformity of civilization produced by the inequities of capitalism: “labor produces for the rich wonderful things—but for the worker it produces privation. . . It replaces labor by machines—but some of the workers it throws back to a barbarous type of labor, and the other workers it turns into machines. It produces intelligence—but for the worker, idiocy, cretinism.”<sup>41</sup> The insight shared by both Marx and Arnold was that economic inequality was not simply an issue of political power, it was also infecting the very character of culture as well. Arnold’s

problem with inequality was not simply that it distorted political arrangements, rather, it was that the effects of inequality were reducing civilization to barbarism. It pitted owners against laborers, the rich against the poor, and in the process reduced culture to a war of economic interests. The brutalization of culture, or civilization was at hand, and economic inequality would be the cause, in his view, of the downfall of the culture and the rise of anarchy. Indeed, for Marx, as well as for Arnold, economic inequalities were increasingly becoming a problem that was expanding beyond the boundaries of social justice; it was a matter of *culture* as well, having permanent effects on the development of civilization and humanity itself:

surely it is easy to see that our shortcomings in civilization are due to our inequality; or in other words, that the great inequality of classes and property, which came to us from the Middle Age and which we maintain because we have the religion of inequality, that this constitution of things, I say, has the natural and necessary effect, under present circumstances of materializing our upper class, vulgarizing our middle class, and brutalizing our lower class. And this is to fail in civilization.<sup>42</sup>

This concern with the preconditions for individual livelihood—both in economic and cultural terms—was also central to the thought of John Stuart Mill who saw that there was also a serious effect on political and public life due to the realities of economic inequality. Unlike Arnold, Mill was deeply familiar with the technicalities of economics having penned his magisterial *Principles of Political Economy* in 1848. But for Mill, as for Arnold, the problem with economic inequality was a problem of morality and culture since it made whole swaths of the population—namely the working class—dependent on another, wealthier class. For Mill, this dependency was nothing less than neo-feudal. Even more, Mill argues that property rights and the specific forms of income distribution

within any society can and must be interfered with by the political community in order to enhance the cultural and moral life of citizens. Skepticism of the power of the market and its interests to be able to provide for the fully developed well-being of citizens was a primary theme in Mill's writings and the problem of inequality as destructive of a cohesive, cooperative moral political community was as well. As Nadia Urbinati has insightfully argued:

Mill pursued a more interventionist design and gave the political community the right to interfere with property rights and income distribution. He proposed counteracting social inequality both directly, through redistribution, and indirectly, through cultural and social initiatives that would nurture the habit of cooperation.<sup>43</sup>

Mill's arguments against social inequality were therefore grounded not in a discourse of strict egalitarianism, but in the preeminence of politics over economics, an emphasis on the erosion of a robust democratic public sphere. Drawing inspiration from the idea of the Greek *polis* of antiquity, Mill rightly saw that inequality endangered the possibility of a free political life defined along the lines of free human development and a public sphere characterized by conditions of harmonious social interaction. What Mill saw was the emergence of economic society at the expense of political society and the inevitable devaluation of politics in the interests of the market that was the consequence of this shift. Economic divisions could not be justified by some natural right to property since property rights were, in the end, *social* rights and were therefore not natural. What was natural, Mill argued in the manner of the ancient Greek thinkers, was political society; and whereas markets were an aspect of social progress and the satisfaction of social needs, they were also a sphere of activity that threatened political cohesion on cultural grounds as well as through their effects, especially class divisions and social

fragmentation. In many ways, the concerns of Arnold and Mill represent the last gasp of the spirit of the ancients and their vision of a cohesive political life characterized by social solidarity, virtue, liberty and equality in the face of the atomizing effects of the capitalist market system and its deep class divisions. This was also the concern of their contemporaries such as Marx, Max Weber and Emile Durkheim who saw modernity—by which they all meant the divisive impact of modern economic life—fragmenting social bonds and eroding political life.<sup>44</sup>

These themes run straight into the twentieth century. R. H. Tawney will argue, after Arnold, that the “religion of inequality” has become resurgent and that it dominates modern views of economy and society. Dewey will argue that the concerns of the public need to be privileged over those of the individuals or smaller segments of society and that inequality is one of the great threats to society and any kind of thriving democratic community. The erosion of this discourse—which has been clear for the past several decades as the ideology of neoliberalism has increasingly gained ascendancy—has once again meant a return to a religion of inequality, toward a justification of inequality as a means toward social progress and even ideas of liberty and freedom as well.

The western political tradition possesses a clear and salient egalitarian tradition, one that saw the importance of economic inequalities and inequalities in political power, but also which saw that excesses of economic inequality would mean the erosion of public life and of the preconditions for individual and social freedom. When followed historically, it shows a coherent path from classical thought through the modern, even though not all of the various thinkers were of one mind on the problem. The coherence of this tradition lies not in the prescriptions that these various thinkers articulated to

diminish economic inequalities, but in the way that they all conceptualized inequalities of wealth and property as diminishing the strength of the political community and democratic culture. All believed that political life would be threatened by the unequal power relations that the concentration of economic power—wealth and property—created. The discourse also shows a growing response to the emergence and dominance of a market economy and it shows a consistent concern with the welfare of the public, of society as a whole over its minority interests. Even for those thinkers—such as Aristotle, Smith and Hegel—who argue that there is a “natural inequality” between human beings, do not argue for inequalities within society should persist if they lead to the dominance of one class. Indeed, what is consistently argued by both radical and moderate alike is that markets create inequalities which ought not to be tolerated and which require the intervention of society and/or the state. This concern for some kind of social and economic equity is no strict form of egalitarianism; it represents a concern for political society over the imperatives of markets and therefore the predominance of economic society, a philosophical and ethical perspective which privileges the common weal over that of particularist and venal interests.

American political thought is a crucial off shoot of this tradition. It placed emphasis on the ideal of equality amid the expansion of a developing capitalist economy. It saw some of the most extreme divisions between economic classes for most of its history and it remains the most unequal society of the developed world. But exactly how American critics of economic inequality stated their case differs from the general views of the some of the thinkers in the western tradition as a whole. Indeed, by confronting the actual realities of economic inequality, many of the most prominent and insightful

thinkers on the subject were not prominent political philosophers, but journalists, social critics and labor activists. They saw the mechanisms of inequality and tied their analyses to political principles which they saw as inherent in American political life and the promises of American equality and democracy.

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<sup>1</sup> Recent work on the origins of the idea of equality in Greek thought has emphasized the issue of political equality over that of economic equality. See Siep Stuurman, “The Voice of Theristes: Reflections on the Origins of the Idea of Equality,” *Journal of the History of Ideas*, vol. 65, no. 2 2004. For a perspective on the historical trajectory of the idea of equality in western thought and the development of modernity, see Otto Dann, *Gleichheit und Gleichberechtigung: Das Gleichheitspostulat in der alteuropäischen Tradition und in Deutschland bis zum ausgehenden 19. Jahrhundert* (Berlin: Duncker & Humboldt, 1980).

<sup>2</sup> Sanford Lakoff, *Equality in Political Philosophy*, p. 12 (Cambridge: Harvard University Press, 1964).

<sup>3</sup> For an important discussion, see George E. McCarthy *Classical Horizons: The Origins of Sociology in Ancient Greece* pp. 15-63, (Albany: SUNY Press, 2003).

<sup>4</sup> Karl Polanyi, *Trade and Market in the Early Empires*, p. 243 (New York: The Free Press, 1957).

<sup>5</sup> For an excellent discussion of this theme, see Alexander Fuks, “Patterns and Types of Social-Economic Revolution In Greece From the Fourth to the Second Century B.C.,” *Ancient Society*, V (1974).

<sup>6</sup> Plato, *Republic*, 551D.

<sup>7</sup> *Ibid.*, 420B.

<sup>8</sup> For an interesting discussion, see Ernest Barker, *Greek Political Theory: Plato and His Predecessors*, pp. 165-180 (London: Methuen & Co., 1947). Also see Pierre Vidal-Naquet, *Le chasseur noir: Formes de pensée et formes de société dans le monde grec*, pp. 317-380 (Paris: Francois Maspero, 1981) as well as Tutu Tarkiainen, *Die Athenische Demokratie*, pp. 59-128 (Zürich & Stuttgart: Artemis Verlag).

<sup>9</sup> There is also little question that the concept of citizenship itself was an elitist one based on property holding and that class was a fixed notion in Greek political thought. However, this does nothing to diminish the power of the argument which links economic division, egoism and the breakdown of democratic political institutions and culture. This, I think, is the essence of what the Greek tradition has to offer on this topic and which should be privileged when reading the way the economic egalitarian tradition unfolds historically.

<sup>10</sup> See Fuks, *op. cit.*, pp. 34-39. It should be noted that this was also a feature of other cultures in the Mediterranean as well. The tradition of the Jubilee in ancient Judea, where people were absolved from their debts every seven years, was another aspect of how economic justice was tied to moral thought in the ancient world.

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<sup>11</sup> Isokrates, *Areopagiticus*, §35.

<sup>12</sup> It should also be noted that movements for economic equality were also based on the notion of land redistribution (*anadasmus ges*). Such was the case for social reformers in Sparta like Agis and Cleomenes who sought to establish an absolute equality of shares of property (*isomoiria*). The process of realizing equality (*exisosis*) was therefore seen as a process of an equalization of property. See Alexander Fuks, "Agis, Cleomenes, and Equality," *Classical Philology* vol. 57, no. 3, 1962. For more on egalitarian land reforms in the ancient Greek world, see Fuks, "Redistribution of Land and Houses in Syracuse in 356 B. C., and Its Ideological Aspects," *The Classical Quarterly*, vol. 18, no. 2, 1968.

<sup>13</sup> "Equalities and Inequalities In Athenian Democracy," p. 143 in *Demokratia: A Conversation on Democracies, Ancient and Modern*, Josiah Ober and Charles Hedrick, eds. (Princeton: Princeton University Press, 1996).

<sup>14</sup> Specifically, see 736e-737b and 739d-e.

<sup>15</sup> John Wallach, *The Platonic Political Art: A Study of Critical Reason and Democracy*, p. 378 (University Park, PA: Penn State Press, 2001).

<sup>16</sup> Aristotle, *Nicomachean Ethics*, Book V, section i, §8.

<sup>17</sup> This is an important term derived from the phrase *ho pleon echon*, meaning "one who has more than enough" or "a superfluous amount," it also came to mean simply "one who has more than an other." In Aristotle's political and ethical theory, the core issue is that of self-sufficiency (*autarkes*). Hence, taking "more than one's share" is seen as inherently unjust from an ethical point of view, but it is also problematic when it comes to the larger property structure and distribution of land for individuals in the *polis* which states that everyone should "command that which is most self-sufficing." See his *Politics*, Book VII. v. 1-2.

<sup>18</sup> George E. McCarthy, op. cit., p. 104 (Albany, NY: SUNY Press, 2003).

<sup>19</sup> For a discussion, see Wolfgang von Leyden, *Aristotle on Equality and Justice: His Political Argument*, pp. 1-25 (New York: St. Martin's Press, 1985).

<sup>20</sup> Aristotle, *Politics*, 1302a, 9-15.

<sup>21</sup> *Ibid.*, 16.

<sup>22</sup> *Ibid.*

<sup>23</sup> *Ibid.*, 1308b. 25-31.

<sup>24</sup> Niccolo Machiavelli, *Discorsi sopra la prima deca di Tito Livio*, p. 175 (Milan: Biblioteca Universale Rizzoli, 2000). Machiavelli is explicit about the need for any

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republic to eliminate inequality in terms of property and the power that results from it. The “gentiluomini,” or those that derive status from property and wealth, are the permanent enemies of republicanism: “Credo che a questa mia opinione, che dove sono gentiluomini non si possa ordinare repubblica, parrà contraria la esperienza della Repubblica viniziana, nella quale non possono avere alcuno grado se non coloro che sono gentiluomini.” *Ibid.*, p. 176.

<sup>25</sup> See Rodney Hilton, *Bond Men Made Free: Medieval Peasant Movements and the English Rising of 1381* (London: 1973).

<sup>26</sup> For a discussion, see the classic by C. B. MacPherson, *The Political Theory of Possessive Individualism* (Oxford: Oxford University Press, 1964).

<sup>27</sup> Adam Smith, *The Wealth of Nations*, p. 310 (Chicago: University of Chicago Press, 1952). Smith also argues in his *Lectures on Jurisprudence* that the onset of economic inequality arises during the transition from the hunting and gathering stage of social development to the herding stage. In the industrial age, he argues that poverty is not as big of a problem, but his connection between inequality and politics speaks to a different concern: that of the possibility of social justice itself. Also see his discussion in *The Wealth of Nations*, pp. 310-311.

<sup>28</sup> *Ibid.* p. 312.

<sup>29</sup> *Ibid.*, p. 33. For a more detailed analysis of Smith’s views of poverty, see Geoffrey Gilbert, “Adam Smith on the Nature and Causes of Poverty,” *Review of Social Economy*, fall (1997). For more on his ideas about the connection between economics and morality and ethics, see Emma Rothschild, *Economic Sentiments*, (Cambridge: Harvard University Press, 2002).

<sup>30</sup> David Hume, “Of Commerce,” p. 15 in Eugene Rotwein, (ed.) *David Hume: Writings on Economics* (Madison: University of Wisconsin Press, 1970).

<sup>31</sup> *Ibid.*

<sup>32</sup> For a discussion of these thinkers and their ideas about equality, see Jonathan Israel, *Radical Enlightenment*, pp. 67-71 (New York: Oxford University Press, 2001).

<sup>33</sup> Quoted in Wickwar, *Baron d’Holbach*, p. 178.

<sup>34</sup> G. W. F. Hegel, *Philosophy of Right*, §49, Zusatz.

<sup>35</sup> *Ibid.*

<sup>36</sup> See Paul Franco, *Hegel’s Philosophy of Freedom*, pp. 200-207 (New Haven: Yale University Press, 2000).

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<sup>37</sup> G. W. F. Hegel, *Lectures on Natural Right and Political Science*, §118 (Berkeley: University of California Press, 1995).

<sup>38</sup> Ibid. Also see the discussion by Frederick Neuhouser, *Foundations of Hegel's Social Theory: Actualizing Freedom*, pp. 171-174 (Cambridge: Harvard University Press, 2000).

<sup>39</sup> As Jean Cohen and Andrew Arato have argued:

It is only what Hegel considers the underside of this process of the emergence of new, nonascriptive status groups that belongs to the socioeconomic level of his analysis. Accordingly, the working class represents a form of inequality produced by civil society in which the absence of inheritance and otherwise unearned income, as well as a specific form of life, makes estate membership inaccessible and exposes individuals to the hazards of economic contingencies beyond their control.

*Civil Society and Political Theory*, p. 99 (Cambridge: MIT Press, 1992).

<sup>40</sup> Matthew Arnold, "Equality," p. 485 in *The Poetry and Criticism of Matthew Arnold* (Boston: Houghton Mifflin, 1961).

<sup>41</sup> Karl Marx, *Economic and Philosophical Manuscripts*, p. 73 in Robert Tucker (ed.) *The Marx-Engles Reader* (New York: W. W. Norton & Co., 1978).

<sup>42</sup> Matthew Arnold, op. cit., p. 494.

<sup>43</sup> Nadia Urbinati, *Mill on Democracy: From the Athenian Polis to Representative Government*, p. 191 (Chicago: University of Chicago Press, 2002).

<sup>44</sup> For an excellent discussion, see George E. McCarthy, op. cit., pp. 15-47, 103-110, and 138-147.

## CHAPTER III

### **Inequality and Early American Capitalism: The Political Theories of Optimism and Radicalism**

Early American political thinkers were deeply influenced by both classical and Enlightenment political and economic themes. Imbued by the normative impulse for equality, the American political project, in its most radical formulations, was concerned with wiping away the sediments of the feudal past that still dominated what America had inherited from English government and society and its influence on American life. Central was the notion that equality meant more than mere formal or political and legal equality; what was required was, as Noah Webster remarked in 1787, “a general and tolerably equal distribution of landed property,” and the need to give individuals control over their own lives in the form of economic autonomy. The need to labor for another, to be under the control of another, was tantamount to servitude. There were no illusions about the problem that economic inequality had presented for centuries on end. Most important among them was the way in which inequality led to aristocratic institutions, the distortion of the public aims of democratic government, and the destruction of human liberty. As the reality of economic inequality became more entrenched after the revolution, it became clear that the American republican experiment could also be endangered by the same forces that had plagued “Old World” European economic and social life.

Equality therefore took on central importance in the politics of the early republic, and economic inequality was a primary concern due to its effects on both political reality and moral character. Broadly speaking, inequalities in property, income and wealth were

seen to be the result of corrupt political institutions which would grant economic, political and social privilege based not on merit but on blood and status, each individual's ability to labor, to work and manipulate nature and acquire property meant that each person had an equal ability to obtain property and self-sufficiency. This liberal economic ethic would inform ideas about American economic and political life, but it was not a mere apologia for private property and accumulation. Rather, the liberal economic ethic was precisely that: an ethical conceptualization of the economy which assumed that as soon as corrupt political institutions were removed, the result would be an equalization of property due to the roughly equal efforts of everyone acquiring property according to their labor. The dual concern with the elimination of aristocratic forms of life and the kind of power relationships that characterized them was accompanied by the labor theory of value and property.

Both of these impulses—the first, an economic ethic that preached a natural move toward equality and the second, a political project that would remake social and political institutions for the purpose of eliminating hierarchical forms of domination—are crucial for understanding the trajectory of how the idea of economic inequality was perceived by early American thinkers.<sup>1</sup> The first doctrine—derived from Lockean roots—was radical in a political context where social inequality was fused to political inequalities and status distinctions. But the two found affinity with one another. Jeffersonian republicans argued that an agrarian economy would produce the ideal synthesis of English liberalism and classical civic republicanism: the individual farmer who earned what he produced and participated in public life not out of self-interest, but out of a civic republican impulse.

But the reality of economic inequality in the pre-Revolutionary years was stark. In urban areas such as New York, Boston and Philadelphia, inequality was more prevalent than in rural areas. Predominantly an agricultural economy, inequalities of the more modern variety were seen as the result of the emergence of a society based on commerce and modern forms of manufacture. In time, this would lead to a tension with the liberal economic ethos and its labor theory of value and property. But during the earliest years of the founding of nation the problem of economic inequality was seen as a propensity of a commercial republic; a problem which would only worsen as commercial institutions deepened their influence. Some thinkers, notably Alexander Hamilton, would come to embrace inequality not only as a necessity, but as a public good. Others were concerned about the fate of the republic once wealth began to concentrate knowing the economic course that Europe had taken, and they were aware that a similar fate could plague America as well. The return to aristocracy was a paramount concern and economic inequality was known to be its root. The concern with economic divisions was therefore an inherently political concern.

It is true that, from a trans-Atlantic point of view, America was seen as egalitarian and unmarked by the social divisions of familiar to Europeans. Tocqueville's comment that "in a democratic society like that of the United States . . . fortunes are scanty," was not so much empirical reality as it was a relative truth contrasting Europe and America. Indeed, Tocqueville himself also saw the problem that an aristocracy of manufacturers would pose for the future of American democracy, the real question was whether or not the ethos of egalitarianism would be able to sustain itself. But more important for Tocqueville for the moment was the fact that there existed an "equality of conditions"

which “gives some resources to all the members of the community” and “also prevents any of them from having resources of great extent.”<sup>2</sup> The “egalitarian thesis” about early America argued for this kind of equality of condition—it was seen that America’s scant population and vast endowments of land would be able to overcome the abysmal fate of Europe whose land had been gobbled up by an aristocratic elite while masses of the poor were landless.

It was seen that the republican nature of American democracy was one premised on the ability to regulate the inequalities that a market-based economy would create. There was no way to prevent inequalities from emerging, but there were ways of preventing excess. Here many thinkers differed, some pessimistic, some the opposite; but all knew that once economic divisions became apparent and once they were allowed to deepen, the probability for tyranny, or the subordination of the many by the power of the few, would become more likely and the very fate of republican government would be at stake. Thinkers like John Adams, Thomas Jefferson, James Madison and others therefore advocated the need for the government to regulate economic inequality through taxation and the elimination of debts as well as the regulation through law of property distribution and inheritance. They saw that economic inequality was a threat to any kind of government based on popular sovereignty, and they saw—just as the thinkers had throughout the western political tradition on the topic had also seen—that it could only lead to a disintegration of political freedom and the fragmentation of the public sphere.

Optimism also existed about the economic system that would begin to emerge in the early decades of the nineteenth-century. This was countered by radical critics of inequality who saw that the emergence of modern forms of industry and finance were

leading toward a stratified economic hierarchy which corrupted the labor theory of value and property and was destroying the ideal of economic autonomy and the fundamental notion of equality upon which American society was premised. They did not critique private property, but rather what they saw to be the new aristocracy: a new class that lived parasitically off of those who labored. For the radicals that dominated the Jacksonian period, the American egalitarian tradition would find its first coherent group of thinkers who would articulate an indigenous argument against inequality and its pernicious effects.

### **Liberalism, Republicanism and the Emergence of the American Economic Ethic**

The political ideas that pulsed through the minds of early American political thinkers and critics are radically different than those of today. The notion that the American political tradition is in some way uniform, monolithic and defined by a historical “exceptionalism” simply misses the larger political context.<sup>3</sup> The radical concerns of the anti-aristocratic impulse which has its roots in the English commonwealth tradition and was translated into American political consciousness was what informed the critique of inequality. But the political concerns that attached to this theme need to be highlighted. As a political doctrine, Lockean liberalism—with its emphasis on the labor theory of value and the importance of a society based on contract rather than that of status—was fundamental to the American political project since it eliminated encrusted forms of social and political inequality by emphasizing the universal character of individual labor as the only true source of wealth and property. Much ink has been spilled on the issue of liberalism and republicanism in the making of the political

ideology of early America, but the debate between the primacy of either liberalism or republicanism in early American political thought simply misses the larger political context.<sup>4</sup> Themes from both traditions were salient, and it is more correct to characterize early American political thought as a fusion of the two traditions rather than emphasizing the predominance of one over the other.<sup>5</sup>

By seeing American political thought of this period as a fusion of liberalism and civic republicanism we are left with a more complex task of differentiating these two strands of political philosophy. When applied to the problem of inequality, the concern was that equality would predominate as long as the labor theory of value and property was allowed to operate unhindered. Ideas about the economy and economic life were therefore built on the foundations of a moral economy of individual labor, and this was something distinctly Lockean. Lockean liberalism also justified the acquisition of property, but this too was seen in the light of a broader moral and political context based on the modern understanding of equality: the only true source of wealth and property was labor—this would serve as the basis for egalitarian slogans during the Jacksonian era—and labor was a universal human possession. The emphasis on individualism and property has been used as a stick to beat the political and egalitarian implications of Lockean-inspired ideas and the kind of liberalism that it established.<sup>6</sup> Lockean Natural Law has been seen by these critics as little more than a superstructural cover for an emerging bourgeois class or as an argument for atheistic hedonism. This does not capture how eighteenth-century Americans interpreted Lockean natural law doctrine however; they saw its egalitarian implications in the face of oppressive and feudal institutions and highlighted its “natural” mode of distributing property and wealth equally

and with fairness. They also saw that any distinction made between equality in economic and political spheres was essentially meaningless. True, equality in terms of property and wealth would not be absolute, but it would be rough enough so that political power would not aggregate into the hands of the few and dominate the many. America therefore provided a thoroughly new context within which a new form of political and economic life could flourish; and the liberal economic ethic was a central part of it.

The concern with republicanism needs therefore to be seen in the light of the impulse to wed this liberal ethic with the secular institutional concern for public ends that early American thinkers possessed. Although some writers have argued that allusions to republicanism were not substantive but rather metaphorical in nature simply miss the larger concern that these thinkers had for the problem of social and political power.<sup>7</sup> The concern with a secular political regime which would balance the unequal powers that were inherent in society in order to provide for a broader sense of public welfare is something that was derived from the commonwealth tradition in England which itself was, in fact, heavily influenced by the ideas of Greek and Roman political thought, but which incorporated many of the assumptions and ideas of Lockean liberalism as well.<sup>8</sup> But it is certainly true that they were not seeking to replicate the Greek *polis*; the central concern was eliminating the hierarchical power relationships that were rooted in the institutions of Europe and to create a society of equals. A political state based on contract and secular institutions; an economy grounded in individual labor and effort; individual political conscience rooted in civic mindedness; and a public spirit and public institutions characterized by equality and the absence of domination and inequalities of social and political power were the broad political goals that pulsed throughout the

political and social thought of the time. It is therefore not a distinction between liberalism and republicanism for which we should look, but the affinities and the fusion between the two which are actually so important.

This is crucial for understanding the approach to economic inequality, not only during the first few decades after the founding of the republic, but for the decades that preceded the Civil War as well. The anti-aristocratic impulse and the concern for economic autonomy, for example, were key features of this new political theory that was coming to fruition both of which emphasized the need for equality and freedom. These two concepts were essentially seen as interdependent: freedom could only emerge within a society of real equals since the absence of equality was assumed to indicate the existence of unequal relations of power. And this is something particularly important for understanding the way that many of the critics of inequality viewed the relationship between economics and politics. Only once we are able to see the political impulse behind this blended political theory of liberalism and civic republicanism can we begin to understand the intellectual framework for the different conceptions of inequality that American political thought would harbor. This was an ideology that was supported by the economic context of its time, by small scale economic production, agrarianism and guilds of skilled craftsmen. Economic life was small scale, confined to local sites and still largely provincial. This meant that the Lockean liberal economic ethic was easily compatible with early American economic life and institutions. Only when capitalism deepened its development and the scale of the market was moving toward the national level and small scale production and agriculture were being swamped by industrial

behemoths would this situation change and the meaning of the liberal economic ethic change with it.

But for the eighteenth-century Americans, economic inequality had to be seen in the light of the disastrous implications it would have on the dual ideals of the economic autonomy of the individual and the project of wiping out forms of servitude and domination—irrespective of either their Lockean liberal or republican roots. These ideals were viewed as essentially a single economic and political project. What early American political thinkers saw as distinctive about American society was the result of a synthesis of economics and politics—liberty was grounded in certain political principles and required certain economic conditions. Indeed, the ethos of political liberty in America always had a material base. Grounded squarely in the tradition of Natural Law and the way it was used in the English liberal tradition (i.e., in Hobbes and Locke), the idea of individual liberty was deeply affected by the historical relationship to European feudalism.<sup>9</sup> The emphasis on the idea of private ownership of property would protect from the arbitrary exercise of power unleashed by the aristocracy. Property was a means for self-sufficiency and autonomy; it highlighted the goal of most early Americans in thought and in practice which was to attain a “modest economic independence based on honest individual labor over the extremes of capitalist wealth or desperate pauperism.”<sup>10</sup> The American economic ethic as it developed in the eighteenth-century was therefore concerned primarily with independence from non-contractual labor and with the moral-political end of small property ownership and it forged a more abstract ethic over time which would regulate the way that institutions that created inequality would be judged: that one ought to keep what one produces. As the economic context changed well over

150 years later, this ethic would take on very different meanings indeed. Rather than serving as a radical call against quasi-feudal institutions and for equality, it would be turned on its head to justify some of the greatest disparities of wealth and power in the nation's history.

But still, suspicion of the moral dimensions of the market was a key attribute of much of early American political thought. Thomas Jefferson's comment that "venality suffocates the germ of virtue, and prepares fit tools for the designs of ambition," was an example of the anti-market sentiment among some American political thinkers. And although all did not share the same skepticism of the market, they mostly agreed that political life ought not be subservient to economic life; markets may be mechanisms for the free exchange of individuals, but they were also based on narrow self-interest as opposed to political life and its emphasis on the preservation of commonwealth. The complexities of a commercial society were crucial to many of the early American political thinkers, and the key was to preserve what they saw was a sense of social cohesion in the face of accumulation, individualism and hedonism. For these early thinkers venality, luxury, the fruits of the commercial centers in Europe were for centuries the root of political corruption and of political and social inequality. Rapid market expansion therefore would be subversive to the moral virtue of the citizenry; republican ideas of democracy could only survive in a place where a balance between politics and the economy could be maintained.<sup>11</sup> Once the economy was allowed to slip from its moral moorings, the result, many thought, would be nothing less than the erosion of the American political project itself.

But it is important to emphasize historical and economic context. For the Americans of the eighteenth-century, the institution of the market and the emerging market economy as a whole was widely seen as being characterized by the absence of privilege and hierarchy. Thus, the original ideology of *laissez faire* should be seen in its proper historical, sociological and philosophical context: as the reliance on individual initiative as opposed to authoritarian direction and on the production of wealth for the larger prosperity of society and not for the maintenance of status and the hierarchical relations of the “old world.”<sup>12</sup> It was a conception of the market that was yet to be touched by the complexities of large-scale capitalism. And it is for this reason that the history of the political idea of economic inequality requires us to pay attention to the material or economic context of the time. It is not that the material context causes a reflex change in the ideas about inequality and equality, it is that certain assumptions that are made in one period no longer hold in the next—new ways of thinking about the relationship between political ideas and economic institutions and realities are therefore constantly required.

Much of the standard literature on economic and political life in pre-Revolutionary America emphasizes political radicalism stemming from political agitation against monarchy and pre-liberal social relationships.<sup>13</sup> But it is also important to highlight the role that economic inequality—most prevalent in the major commercial cities—had on the idea of equality that was embraced by revolutionary thinkers and their ideas. Economic inequality rose rapidly before the onset of the American revolution, and it is little surprise to see why: American urban areas were the cradle of an emerging market society which was swelling class inequality and antagonism. Indeed, if it is the

case that many merchants and prospering families in Boston, Philadelphia and New York saw the market as an institution possessing the historical resonance of political freedom, the reality on the ground for everyday citizens was somewhat different and it led to increased political agitation.<sup>14</sup>

The empirical realities of economic inequality were evident well before the revolution. From about 1720 through 1780, economic development in urban centers—spurred on by the evolution of merchant classes and clustered urban markets—marked the beginning of serious disparities in wealth and income. Those at the lower ranks were propertyless while wealthy merchants were beginning to accumulate larger shares of property and wealth.<sup>15</sup> But at the macroeconomic level, it is important to note that the levels of economic inequality were generally low in the colonial period and that serious wealth and income inequalities did not begin to occur until the decades preceding the Civil War.<sup>16</sup> Indeed, urban inequalities were not so significant since the economy was not based in urban areas, but in rural areas and small towns. What early American political thinkers and political economists saw was that inequality was on the horizon; that as commercial society became more complex, the distribution of property would become more and more unequal. In addition, as market relationships grew more sophisticated, there were also movements against market pricing especially of foodstuffs culminating in over thirty food riots between 1776 and 1779.<sup>17</sup> Coming to terms with this economic reality would be one of the core problems that a democratic republic would need to face and the social theories of early American political thinkers would take the issue up in earnest.

In addition to the evidence from quantitative historical studies, the effects of economic inequalities and their severity are made clear in many of the newspapers and political pamphlets of the day.<sup>18</sup> In 1750, a Boston pamphleteer using the pseudonym Vincent Centinel published *Massachusetts in Agony; or, Important Hints to the Inhabitants of the Province: Calling Aloud for Justice to be done to the Oppressed* where he made his disgust known for the emerging merchant class that was enlarging its share of wealth as a result of the rapid marketization of the city when he wrote that “poverty and discontent appear in every Face (except the Countenances of the Rich).” *The New York Gazette* asked whether it was equitable “that 99, rather 999, should suffer for the Extravagance or Grandeur of one? Especially when it is considered that Men frequently owe their Wealth to the impoverishment of their neighbors.”<sup>19</sup> The writer continues by saying “it is to the meaner Class of Mankind, the industrious Poor, that so many of us are indebted for those goodly Dwellings we inhabit, for that comfortable substance we enjoy, while others are languishing under the disagreeable Sensations of Penury and Want.”<sup>20</sup> Such diatribes were in no short abundance in the middle to late eighteenth-century and they are a testament to the prominence that economic inequality had in the minds of pre-Revolutionary American colonists and it was certainly a concern that did not dwindle after the revolution had been completed.

The formation of a radical consciousness that militated against economic inequality and the realities that the maturing commercial centers were producing was therefore clearly not only political in nature. Economic conditions in urban areas, however, did not characterize the American economy as a whole. The reliance on economic liberalism—even within the confines of broader, republican themes and

attitudes—was what was most distinctive when it came to seeing what was most important in American political economy. Since Lockean liberalism and much of the dominant English and Scottish political economy and social theory of the eighteenth-century was based on the idea of the labor theory of value and its ability to ground political liberty, the economic ethic of Americans was largely liberal in nature. Jefferson, Madison and Hamilton, may have believed in the inevitable truth of a laissez faire approach to the economy. For various reasons, the people who lived through such institutional changes rightfully did not share in this optimism.

### **Theorizing Equality in the Early Republic**

The American economy in the years after the Revolution was seen by most observers of the time as resulting in a strong egalitarianism of economic and social condition. Before the revolution and the founding of the republic, there had been a tradition of hierarchy and privilege which had militated against any form of equality.<sup>21</sup> The discourse of “leveling” in the seventeenth- and early eighteenth-centuries was branded as utopian and was seen as fanatical. Equality in economic terms, in terms of property, was a clear threat to a social order based on rank and privilege. Conservatives could always stress that leveling meant the fragmentation of social life, the elimination of the moral and structural center that gave security and peace to the small communities of the New England colonies.<sup>22</sup> The specter of leveling would continue to have deep resonance in American politics through to the present. But the irony was that the conservatives of the time were in fact not fearful of regulation or the control of markets and private property. They were fearful of market society and of liberalism itself since

they would lead to the erosion of encrusted forms of power and elite status. With the emergence of the market, older forms of economic privilege would be broken and the hierarchies of old would be threatened. But this older argument of leveling would still plague those who argued for any form of economic equality. In spite of this, early American political thinkers after the Revolution were more realistic, and they were certain of at least one thing, among their many disagreements: that economic inequality would be a decisive threat to the democratic republican experiment which they were seeking to inaugurate.

The predominant view of political economy of the time saw a kind of natural liberty and natural equality arising from an economy that did away with the older forms of mercantilist policies and their monopolistic consequences. What Smith termed “natural liberty” was to be unleashed by the opening up of economic freedom and private property. From this there would arise economic equality since the elimination of older forms of land holding and the even playing field that markets created would allow economic equality to overcome the stubborn inequalities of the past which were rooted in feudal social arrangements of land and orders. James Steuart’s idea of a participatory economy argued that when all individuals and classes participated in the national economy it would allow for a social harmony unknown in a past marked by privilege and hierarchy.<sup>23</sup>

In purely political terms, early American thinkers were split between the kind of “naturalistic” discourse of the Scottish political economists and the political realities that they actually faced. Essential was the question of political power and stability: how could a commercial society and the inequalities that followed from it be prevented from

destroying the democratic republican experiment? Thinkers like John Adams and James Madison saw this as the primary issue, and they sought to remedy this problem by means of political architecture. The key was to arrange institutions so that this inequity of power could be minimized. Although they were convinced of the egalitarian nature of Americans as opposed to those in Europe, they wanted economic progress and development. Knowing this would lead to class antagonisms, they wanted to avert political crisis before it actually began.

Madison's claim that "[d]iffering interests necessarily exist in different classes of citizens,"<sup>24</sup> and that "the most common and durable source of factions has been the various and unequal distribution of property"<sup>25</sup> was the admission not only that classes exist, but that their diverse economic interests would lead to a splintering of the political community. What was at issue for Madison was the conflict between factional interest and what he vaguely terms the "public good." The key of Madison's argument was to prevent the emergence of a social order that was in any way based upon the privilege or the interests of a single class. What Madison feared is what many of the early political thinkers in post-Revolutionary American also feared: the dissolution of democratic government and the reemergence of a social order based on economic power. This kind of economic power was only possible once economic interest was entwined with political institutions. Political modernity was to be marked not by utopian illusions of leveling or absolute equality, but defined by the absence of extreme inequalities of power—the absence of which could only be achieved by a government legally grounded in popular sovereignty with the appropriate checks on excesses of power. The source of this power in the emerging United States was that of economic divisions. Madison rightly saw the

source of the problematic, that of inequalities of property and differing economic interests. But his mistake was to think that these could be resolved within an impartial framework guided by the institutional constraints that the Constitutional framework set out, one that would not give in to the interests of faction but rather to the principles of the public good.

John Adams was less optimistic about the prospects of economic equality in America. His central premise was, like the other writers of the *Federalist*, to protect republican government from the social divisions that were sure to arise within the context of a developing economy. Without illusions, Adams approached the problem of inequality in straight political terms. It was clear that inequality would be a consistent dilemma facing a commercial society; the key was to embed the very structure of government with protections against these divisions. It was not an affection for the poor and the propertyless that drove Adams' argument—he was fearful of the ideology of leveling and denounced those that followed Shay's Rebellion as "lawless, tyrannical rabble"—it was the protection of society itself from the social and political convulsions that inequality would surely create that concerned him. His fear of the impact of economic inequality on society is expressed in his *A Defense of Constitutions of Government of the United States*:

Property is surely a right of mankind as really as liberty. Perhaps, at first, prejudice, habit, shame or fear, principle or religion, would restrain the poor from attacking the rich, and the idle from usurping on the industrious; but the time would not be long before courage and enterprise would come, and pretexts be invented by degrees, to countenance the majority in dividing all of the property among them, or at least, in sharing it equally with its present possessors. Debts would be abolished first; taxes laid heavy on the rich, and not at all on the others; and at last a downright division of every thing be demanded, and voted.<sup>26</sup>

The fear of the poor was matched by the fear of an emerging aristocracy. Adams recognized that an economic aristocracy could emerge from even the humble classes that made up the small-scale economy in America dominated by merchants and small manufacturers. He saw inequality as increasing in the United States as long as a too rapid course was followed toward modern industry and the production of national wealth, the result would be social divisions, political strife and, most importantly for Adams, the corruption of republican virtue.<sup>27</sup> The poor sought economic relief through redistribution which was therefore opposed to the interests of the propertied and the wealthy whereas the wealthy, through their desire to consolidate their positions of privilege, would push toward aristocracy. This had an Aristotelian ring to it, and for good reason. The concern with stability—or what Aristotle knew as the “secure constitution”—was premised on the idea that great disparities between rich and poor did not exist. There could be no justification for inequality since it would, by historical necessity, cleave society into parts, and fragment the public.

In either case, republican virtue could not be maintained and lacking the moral and political cohesion that virtue provided, the only pragmatic course was to strengthen political institutions. Political authority invested in firm institutions—although legally grounded—would be the only way to counteract the effects of economic division and its fruits: namely, the erosion of public virtue which led toward opposing self-interests which, when left unchecked, led to social strife and political breakdown. Unlike Madison who saw the problem created by unequal distributions of property as being solved by the means of electoral politics, Adams saw that there would be two great opposing interests: the wealthy and the propertyless and this was a division that would only grow over time

as economic development intensified. And Adams was keen on measuring this distribution of wealth, making the effort to look at statistics and estimate income and wealth distribution. His political ideas rested not on abstraction, but on the actual empirical trends he was perceiving. Things did not bode well for the future.

Adams' political philosophy was simple enough. Since all men by their nature seek power, economic inequality needed to be kept in check, for it would result in political tyranny or domination by one class in one form or another. The bicameral system could therefore provide a check on these opposing interests and defend the republic. But the real problem, at its base, was clear: economic inequality and the divisions it produced were permanent features of a commercial society, and the idea of reclaiming the moral ideal of a political community founded on republican virtue was nothing more than illusory. Ideally, property should be widespread to prevent the emergence of an aristocracy, but the complexity of the market system presented thinkers like Adams and those that agreed broadly with the same idea with the difficult reality of controlling the *effects* of inequality rather than eliminating the problem itself or the mechanisms which caused inequality itself.

The fear of a return to aristocracy in the thought of the early republic was widespread and it was commonly seen that it would be the result of the increase in economic inequality. Inequality arising from economic divisions were a threat to the democratic experiment and the fear was that it would produce the very thing that the American republic was defined against: tyranny, demagoguery and aristocracy. Adams was hardly alone on this front. The Pennsylvanian George Logan, writing in 1792, commented on the corporate charter that was given to Alexander Hamilton's Society for

Useful Manufactures, by asking “will it not, by fostering an inequality of fortune, provide the destruction of the equality of rights, and tend strongly to aristocracy?”<sup>28</sup> James Lyon, the editor of the *National Magazine*, wrote in 1799 that “[a]ny person who pays attention to the subject, will discover that the aristocratic faction, which is growing into influence in the United States, is built by various classes of citizens, as opposite in their interests, as their designs are to honesty, or light to darkness.”<sup>29</sup>

The divisions of society that had marked Europe for centuries was now something that was entering the American economic landscape and it was in the discourse of republicanism that some thinkers took shelter. Jefferson’s views on economic inequality and its political impact are distinctive in the way that they synthesizes republican and liberal themes and how these political ideas affected his ideas about economic equality and the problems of economic inequality. Indeed, although Jefferson’s conception of politics was deeply influenced by classical Greek conceptions of political life and human nature, but it was also deeply influenced by the Lockean conception of labor. He saw that the new American republic would be an opportunity to realize that humanism that was fostered by Greek philosophical thought as well as Christian ethics.<sup>30</sup> In Jefferson’s political philosophy, economics was therefore subordinate to the sphere of politics. Even more, he saw that economics was a private affair of the household fostering self-sufficiency and precluding dependence and unfreedom. It was an insight inherited from his reading of Aristotle whose conception of economics was that economic activity was a private affair: one manages one’s household for the end of self-sufficiency, the word *oikos*—the etymological root for the word economy—meaning household. This was a direct response to Plato’s idea of economics as being a inherently public in nature in his

*Republic* where property was communistic. But it also highlighted Aristotle's interest in the category of economic self-sufficiency (*autarkes*) which thinkers like Jefferson saw as central to the function of a free society since it stood in direct opposition to any form of dependence or servitude.

The core of many of Jefferson's economic ideas was derived from Aristotle. He saw the economy as a private affair, but also associational and he saw that only through individual labor could true equality ever exist. Inequality was the product of privilege and the amassing of fortune from the labor of others was a corruption of what he would have seen as a natural economic state. Although Jefferson's economic and political ideas are rightly seen as creating what Richard Hofstadter has called America's "agrarian myth," his wider ideas on politics and economics require—especially when talking about economic inequality in American political thought—a more nuanced look.<sup>31</sup> Indeed, Jefferson's thought is notoriously anti-systematic and isolating broadly consistent themes and positions is a difficult task. Jefferson's republicanism, however, is in tension with his economic liberalism and it is this which makes him an important contributor to the way that the discourse on economic inequality is shaped in American political thought and history. Jefferson's essential view of economic inequality is that it is a fundamental obstacle to democracy and human development and happiness. This is a consistent theme throughout his varied writings, but the way that government is to handle this problem is a very different manner. In his *Notes on the State of Virginia* he is influenced more by the liberal separation between state and society as well as economy and government. When considering the plight of the poor, it is through charity alone that they are to be helped; the state ought to play no role in alleviating such social ills. "So it is of the maintenance

of the poor, which being merely a matter of charity, cannot be deemed expended in the administration of government.”<sup>32</sup> Since it is “the manners and spirit of a people which preserve a republic in vigour,”<sup>33</sup> and this spirit is to be one that is—in Jefferson’s agrarian republic—devoted to working one’s own soil, government aid to the poor will create a dependency which, in its own right, becomes a form of servitude (“dependence begets subservience”).<sup>34</sup>

Jefferson writes the *Notes* in 1781 and his ideas on the problem of economic inequality were at this time naïve at best. By following the intellectual logic of Lockean liberalism, his arguments against the state’s alleviating the plight of the poor was essentially apolitical—it remained an abstraction. It is not until Jefferson’s visit to France and his long sojourn there that he sees the real effects of economic inequity and its concrete political and moral implications. His experience in France shows him the threat that inequities in wealth and property can have on the population as a whole and its political climate, and he begins to modify his views on the role of the state in responding to inequality. In a letter to James Madison in 1785 he writes:

I am conscious that an equal division of property is impracticable. But the consequences of this enormous inequality producing so much misery to the bulk of mankind, legislators cannot invent too many devices for subdividing property, only taking care to let their subdivisions go hand in hand with the natural affections of the human mind. The descent of property of every kind therefore of all the children, or to all the brothers and sisters, or other relations in equal degree is a politic measure, and a practicable one. Another means of silently lessening the inequality of property is to exempt all from taxation below a certain point, and to tax the higher portions of property in geometrical proportion as they rise.<sup>35</sup>

But Jefferson still believed in a minimal state which would leave men, as he says in his First Inaugural Address, “otherwise free to regulate their own pursuits of industry and

improvement, and shall not take from the mouth of labor the bread that it has earned.”<sup>36</sup>

This is not a contradiction. Jefferson’s ideas were in tune with the basic premises of economic thought of the age: namely that of the liberal economic ethic which saw that an economic system based on liberty was one grounded in individual labor. The distribution of wealth and property would therefore be naturally distributed; the fruits of labor would be based on effort and work, not on privilege.

But Jefferson does argue in his letter to Madison that there is a need for the state to mollify economic inequality and this apparent contradiction is intimately tied to Jefferson’s understanding of political society as a whole. Although based primarily on the notion of political liberty, Jefferson’s idea of freedom was not a narrow liberalism that was founded on the establishment of private property. It was also one that was thoroughly shaped by the classical republican ideal of political virtue—the idea that self-interest needed to be subordinate to the public good or the interests of political society of which the individual was inextricably a part. This virtue could only arise from the cohesion of society as a whole and not from one that is, in effect, divided against itself. Even more, property for Jefferson was not simply defined by possession, but by its moral overtones. Indeed, Jefferson’s views in his letter to Madison reflect not only his evolving conception of the role of the state in mitigating economic inequality, but his complex views of property and the moral status that he attached to it.

Jefferson makes a tripartite distinction when it comes to the subject of property.<sup>37</sup> Property is defined by the activity with which it is performed and each kind of property has a different moral implication for individual and society. *Feudal* property is defined by subservience and domination. It is based on a refusal of Natural Rights and leads to

despotism and tyranny as well as the moral depletion of its subjects. *Commercial* property—because of its ability to allow its owner(s) to accumulate wealth—also creates hierarchies and distinctions. It is only *agrarian* property relations that allow for true independence and the breaking down of social hierarchies. Only through agrarian property relations can individuals cultivate the virtues needed for self-governance and therefore the proper preparation for the pursuit of the common good. Property for Jefferson is not a Lockean natural right; it is not something natural to humans within some kind of pre-political state of nature. Rather, Jefferson sees property as decisively factitious: it is a social creation and therefore one that can be warped to serve the needs of the few rather than the many.

Combating feudal property arrangements was Jefferson's first attempt at dealing with inequality politically in order to eliminate it. This was not something that was controversial among most social thinkers in America at the time since there was a general consensus among influential political thinkers and political economists—both in the States and abroad—that older forms of property and social order were the main causes of inequality, politically as well as economically. This was the appeal, after all, of the ethos of liberal economic individualism: the ability to keep what you worked for, to hold as property that for which you have labored, but it was never meant as a substitute ethic, for Jeffersonians at least, for politics. The public good was still at the core of republican politics; economic inequalities—whatever their causes—were seen as a threat to the kind of agrarian utopia that Jeffersonian republicans sought to erect.

But even as early political thinkers like Adams and Jefferson, among many others, saw economic inequality as a threat to republican virtue and therefore to the constitution

of political and social freedom, there was also another view of inequality which saw it as necessary and even as justifiable. Any analysis of political ideas and traditions needs to take into account this dialectical dynamic of opposites. Resonating with what Rogers Smith has referred to as the “multiple traditions thesis,” we need to be aware of the ideas that supported economic inequality.<sup>38</sup> In early American political thought, this defense derived from certain conceptions of human nature and the importance of inequality as a concept to understanding social organization. In this sense, inequality was often seen as not only necessary, but beneficial and attempts to eliminate it were not only utopian but contrary to public welfare. Thinkers that defended economic inequality did so for a variety of reasons, but what unites them intellectually is their emphasis on inequality as necessary and, in a sense, the natural outcome of either human nature, the nature of free economic activity, or both.

Alexander Hamilton is the most forceful and articulate thinker on the subject of inequality and the idea of an aristocracy of wealth. Hamilton’s ideas resonate with much contemporary thought when it comes to the relationship between wealth, industry, government and national prosperity. Simply stated, he believed that economic inequality would not simply be a consequence of economic growth, it would be an enduring social reality that was grounded in what Hamilton saw to be the nature of class society. The masses of people could not be trusted to make decisions with respect to the political and economic fate of the nation. They were driven by immediate interests, not long term goals; they were largely ignorant, the wealthy tended to be intelligent. This did not mean that inequality was to be of the extent that it was in the Medieval period. Instead of mass

poverty and want, the bulk of the population was to maintain itself by the employment given to them by the ideas, money, investment and effort of the wealthy elite.

This made sense since it was rooted in a conception of economic progress that drove Hamilton's model. He saw the encouragement of a commercial- and manufacturing-based society as the only model for economic progress and the development of national wealth and prosperity. Unlike Madison, Adams and certainly Jefferson, he opposed the expansion and support for the agrarian sector and saw the only path to national economic progress through the development of modern industry. But at the same time, he saw that the stratification that was created between the wealthy and the mass of workers was to be a permanent feature of a developed economy. Class conflict would intensify as economic growth continued, but as long as a strong central government was in place, there would be little fear of political conflict. At the same time, inequality would persist in Hamilton's model since the mercantile and industrial classes would require all the financial help possible from the central government. To manage the swelling national debt that would emerge from such a policy, tax burdens were to be thrown onto workers, especially planters whom he saw as representing the economic past rather than the future. Taxation on the wealthy was to be essentially non-existent: taxing capital and profits went against the basic idea of liberty and, more pragmatically, it would hinder investment and stall the course of national economic growth.

Hamilton's views on inequality are important because they offer the first glimpse into a depoliticized conception of economic activity, growth and policy. In this sense, especially, he could not be more different from Jefferson (and even Adams) in that the

function of economics was not subordinated to politics. In place of a labor theory of property linked to notions of liberty and anti-aristocratic privilege, Hamilton saw that economic inequality need not be associated with the old world's political institutions. What was to be new in the American experiment was the lack of state intervention in the economy outside of the subsidies for industry and what we would now call capital. It was new because human progress was to be tied to the growth of national economic prosperity, a prosperity that itself was driven by a class of men that were wealthy and intelligent. But the enduring aspect of his argument was in the depoliticization of capitalism and his unabashed inegalitarianism, something that would only see its like in writers such as William Graham Sumner 70 years later and, of course, in the late twentieth- and early twenty first-centuries in America.

But despite the argument that embraced economic inequality, it is undeniable that for many thinkers in the early American republic, the problem of economic inequality posed a threat to the idea of a morally cohesive and politically ordered republic and threatened the kind of free republic that they envisioned. Like the Greeks well over two thousand years earlier, they called into question the simultaneous existence of economic inequality and democracy. Economic divisions were the source of political divisions and, ultimately, the seed from which the tyranny and the end of republican government would grow. This was seen as one of the most important problems facing the social, economic and political maturation of the nation. The solution was not to be found in economic policy, but rather in political architecture. Inequality would have to be tolerated, but it could not be allowed to distort political arrangements, to allow certain factions to co-opt

power, or to destroy the balance of interests that economic divisions created and which political arrangements would theoretically contain.

The general view was that rising economic growth would relieve the strains of inequality, but some were not so optimistic. By the first decade of the nineteenth-century, it was becoming increasingly evident that the reality of economic inequality in America was actually threatening America's republican experiment. The political economist John Taylor wrote in 1814 commenting on the emergence of new monopolies and their legal protection by the state that "[t]he idle, who seek for wealth by chartering laws, are wiser than their equalizing brethren [laborers]. Law has never been able to produce an equality of property, where industry exists, but it can produce its monopoly. . . [L]aws for this end are as unconstitutional as those for re-establishing king, lords, and commons. Legal wealth and hereditary power are twin principles."<sup>39</sup> A new generation of thinkers would emerge in the decades leading up to the Civil War. For some, economic divisions could be smoothed out; the interests of opposing classes harmonized. Classes—defined as different kinds of producers, agrarian or otherwise—would become more harmonious in an economic and political context defined by liberty and individualism, and the problem of economic inequality might be able to work itself out on its own. For others, the rising inequality was signaling a new economic order that was hardly benign and had to be transformed by organized action. Economic inequality became one of the most important issues in American political and social life, and from the early nineteenth-century through to the present, it would be the one truly consistent set of divisions in American society.

## **The Discourses of Harmonization and Radicalism**

For the thinkers of the early republic, economic inequality was an immediate reality, but its consequences remained little more than an abstraction. For the next generation and beyond, the reality would be considerably more concrete. Since the idea of a natural distribution of wealth based on individual effort and talent and regulated by the uncoerced nature of the market was the predominant paradigm for early American political economy, when it became obvious that the development of capitalism continued to have inegalitarian effects, approaches to the problem of economic inequality began to take on deeper political ramifications. The stakes were clearly higher since, in the minds of many thinkers in the first half of the nineteenth-century, the debate about distributive justice was now being related to the fate of the democratic republican experiment in America.

For the first time, especially for the group of radical critics of inequality, economic inequality and the new forms of organization that an emerging capitalism was putting forth was being viewed as contradicting the imperatives of political equality for which the Revolution had been fought. Political and social thinkers saw rising inequality as more likely once modern industrial capitalism—something many of them knew was on the horizon—was imported from Europe. Only then would the corrosive effects of modern economic life threaten the republican fabric of moral, political and economic cohesion that many of them saw as the hallmark of American society. Even more, it would threaten the equality of conditions that most Americans and foreign observers saw America's truly exceptional quality.

Even as economic inequality began to surge in the first few decades before the Civil War, there was still the resilience of the idea that there was, hidden beneath these inequities, a harmonious relationship between the various economic classes. For early nineteenth-century political economists, economic differentiation need not mean an unevenness of power. The way that this kind of equality was envisioned was through the discourse of “harmonization.” This notion had its roots in physiocratic ideas. Francois Quesnay’s *Tableau economique* argued that there was an inherent interdependence between the three classes that made up any economy: a “proprietary” or landowning class, an agricultural, or “productive” class and a “sterile” class of manufacturers and merchants. Quesnay’s argument was that a harmonization of interests between the three classes would emerge once the government saw that the productive class was the source of economic value since it was the only class capable of producing a surplus of goods.<sup>40</sup> The surplus produced would pay for the goods of the manufacturing and merchant class and the landowners would simply receive their payment as rent. In this way, it would become obvious that the three classes were, in effect, interdependent and that their economic interests and activities were not in competition, but in harmony with one another.

This basic notion of the “harmonization of interests” was not lost on influential American political economists and social thinkers in the early nineteenth-century. The American economy was still largely agrarian in nature, and the predominant view was that an associational economy—as opposed to a competitive one—led toward relative economic equality, preserved the ethos of economic autonomy and independence, and also would lessen the kind of social and political strife that would derive from extreme

inequality. It would also underscore the liberal ethos as the backbone of American political economy and the American character more broadly—not simply in terms of property, but in the idea of individual labor and economic autonomy. It touched off a middle position against radicals who called for the redistribution of property and denounced the intractable reality of the onslaught of the new capitalism.

The more radical set of ideas that emerged did not come out of imported European ideas (with the exception of the inspiration of Robert Owen's experiments), from Rousseau or levelers, they were derived from what was seen to be the initial ethical tenets of the American revolution and the founding principles of American society and politics. The radical critique of economic inequality was one that stressed the need for redistribution, the ending of special privileges, and an opposition to banks and new financial institutions which acted only as means for wealth accumulation. These institutions were regarded as tending toward a new aristocracy: one built on the backs of true and honest labor. The notion was that of a moral economy based on the liberal ethic of individual labor and property was being shattered at the expense of the narrow search for profit and self-interest that would not only result in inequality, but in the destruction of the republican principles that embodied American society. It was a defense of the economic autonomy of workers and an attack against all forms of wage servitude. The moral context of a free society was an economy that was based on labor that was itself based on the ideal of self-sufficiency. Since this was seen as the sole purpose of labor and the market was simply a means of fair trade between honest producers, the appropriation of labor by others and the accumulation of profit from that appropriation was therefore the central object of the radical critique.

For both strands of thought, it was the liberal idea of labor and property that informed the critique. But whereas the radical critique of the maldistribution of property, income and wealth was explicitly an opposition to a kind of economic modernity that was gathering power, strength and momentum, harmonization theory was an attempt to see the egalitarian kernel inside the shell of a newly emerging form of economic organization. The early nineteenth-century saw the emergence of capitalist enterprise. New forms of investment and credit systems were erected; the need for larger pools of labor meant a departure from the small scale and agrarian forms of production that were taken for granted by the earliest American political thinkers. Social thinkers in the first decades of the nineteenth-century viewed the coming transformation with skepticism and, in some cases, with dread. Although most Americans were still living and working on farms and within small economic communities, it was a testament to their sociological perception that these thinkers saw the coming divisions of society. Their critiques were arrayed against privilege and aristocracy, and they would lay a foundation for the post-Civil War era's ideas about the new economic landscape.

The theory of the harmonization of interests was most lucidly formulated by the political economist Henry C. Carey and it would mark one of the first attempts by American political economists to deal with the problem of inequality in an overly optimistic way. Egalitarian in its outlook, Carey's ideas were unwittingly an apologia for a new form of economics even as it was firmly grounded in the assumptions of agrarian and small-scale economic organization. It was unwitting because his interpretation of the interaction between labor and capital were such that he wanted to show that their interests were, in fact, one and the same and that inequality would in fact lessen as economic

growth increased. Derived from his critical confrontation with the ideas of Ricardo rather than the older theory of Quesnay, Carey's concern was with the notion of harmonization—that economic divisions between “labor” and “capitalists” were merely apparent at the surface, but they were, in actual fact, nothing more than illusion. He knew that arguments were raging about inequality and about the need for distributive justice. But for him the American economy did not promote divisions and opposing interests, and a growth economy ought to be looked upon with optimism rather than the doom that others had stamped upon it since it would, in the end, promote equity and prosperity at once.

In both his *The Harmony of Nature*, published in 1836, and in his *Principles of Political Economy*, published in 1838, Carey would put forth his argument which, he believed, had penetrated the essence of the economic system revealing its interdependence and its ability to produce equality or harmonization. Like Hamilton, he wanted to see the economy as unrelated to politics. But he was different in that he favored a view of the economy as self-regulating and—as long as it was contained in small and medium-sized enterprises and economic communities—benevolent to all its participants in terms of egalitarianism. In this sense, there was no need for political intervention into the economy—his system articulated a combination of laissez faire, prosperity, growth and economic equality. Carey's idea of “economic man” was one who operated within a nexus of cooperative interchange which traded in skills, services and goods. “Capital,” in his usage of the term, was “any artifact or skill or knowledge that increases man's power to direct natural events.”<sup>41</sup> Wages and profits were one and

the same and when a situation of free competition existed, they would be fairly distributed by effort and skill.

What he saw as crucial was the idea that wages would rise as a competitive capitalist system grew. This resulted from the fact that the competition for labor by capitalists would raise wages, but the real equalizing tendency came from the nature of economic growth itself. Technical progress would allow capital to become more productive and the quality of labor would increase. In this way, the ratio between the amount of capital needed to produce goods and the amount paid to workers would fall and wages would rise relative to profits. Workers would become more valuable to employers since their productivity was rising. Similarly, since Carey made no distinction between capital and wages but saw them essentially as one and the same, he argued that the total amount of capital would increase even as employers profits decreased and the wages paid to workers grew. The result was a harmony of interests since workers and owners needed one another and, in the long run, equality would result from the very dynamics of economic growth in a laissez faire economy.

Despite the optimistic political economy of Carey, the literature of the time span running from 1820 to the Civil War was deeply marked by a radical discourse against inequality which was, interestingly enough, wholly home-grown. Indeed, in contrast to the post-Civil War era where American radicalism was deeply affected by European ideas such as Marxism, the radical critique of inequality during the antebellum period was derived from the moral-political imperatives behind the ideas of the revolutionary generation. Equal rights in the political sphere was an impossibility without an equality of property. But this was not as crude as it was made out to be by opponents. Grounding

their argument in a radicalized conception of the liberal theory of labor and property, they argued that the new form of economic complexity that was arising—i.e., the evolving capitalism that was gaining in strength—was antithetical to the basic, natural rights that America supposedly embodied. Chastising what theorists like Carey saw as a benevolent economic system, they saw it as annihilating economic autonomy, eroding what they referred to as “civil rights” and as ushering in a new aristocracy which would live parasitically off the labor of working people, the only real producers.

The American economy would change rapidly and drastically from 1820 through 1860, and it would set the stage for the radical egalitarians and their attack on inequality and what they saw as the emergence of a new form of servitude and aristocracy. Indeed, by 1860, income and wealth inequality were staggering. Brought on by the introduction of the factory system and the proliferation of wage labor—as well as the decreasing ability of the “family farm” to provide an adequate living standard—it was a pattern of distribution that would not only invoke the wrath of the radical egalitarians, but also set the stage for the post-Civil War era and its own battle with inequality. By 1860, the top five percent of American families held ownership of over half of the nation’s total wealth and the top ten percent possessed over 70 percent. In Philadelphia alone, one percent of the families owned over 50 percent of the city’s total wealth; the lower 80 percent controlled a mere three percent.

These patterns of inequality as well as the growing power of banks and corporations was setting the stage for the discourse of the radical egalitarians and their attack on the changing American economy. They were radical precisely because they sought to confront the economic order of their time with the political ideals of equality,

an economic order that was increasingly being defined by wage labor, and an inequality between labor and capital. Their radicalism consisted in this opposition and the commitment to extending what they saw to be the economic egalitarian impulse of the Revolution and the project of constructing a republic founded on liberty and equity. In 1829, in his *The Rights of Man to Property!*, Thomas Skidmore made this evident in his opening preface:

One thing must be obvious to the plainest understanding; that as long as property is unequal; or rather, as long as it is so enormously unequal, as we see it at present, that those who possess it, *will* live on the labor of others, and themselves perform none, or if any, a very disproportionate share, of that toil which attends them as a condition of their existence, and without the performance of which, they have no *just* right to preserve or retain that existence, even for a single hour.<sup>42</sup>

For radicals like Skidmore, the link between inequality and politics was clear: by allowing an unequal distribution of property to proliferate and worsen, let alone exist at all, the political ideal of individuality, liberty and equality would all be subverted to the interests of capital, to opulence, to idleness. It would forfeit any semblance of economic independence, and the social and political liberty that it bestowed, to economic dependence which would mark the beginning of the decline of political freedom and justice. Equality in economics and politics was therefore inherently connected since they were one and the same thing: a man could not be free if his labor was appropriated by another. Skidmore summed it up in a moral slogan that was as simple in its formulation as it was profound in its implications: “all men should live on their labor, and not on the labor of others.”<sup>43</sup>

The ideas of critics like Skidmore were hardly unique. Rather, they fit into the context of the larger worker movement that was beginning to thrive in Philadelphia and

New York and its call was against inequality and the kind of economic servitude that they saw emerging from it.<sup>44</sup> But they also fit into the broader context of the egalitarian tradition. These radical thinkers confronted inequality and highlighted the negative effects that it had not only with respect to economic affairs and “fairness,” but the larger impact it had on morality, happiness, servitude and freedom. They did not back away from characterizing inequality as patterning a new set of social relationships bent on recreating aristocracy and barbarism. Theophilus Fisk, another of the radical critics, addressed a crowd of the “mechanics” of Boston arguing that “[t]he history of the producers of wealth, of the industrious classes, is that of a continued warfare of *honesty* against *fraud*, *weakness* against *power*, *justice* against *oppression*.”<sup>45</sup> Many of these thinkers, such as Langton Byllesby and John Pickering, were influenced by the ideas of Robert Owen and the New Harmony colony in Indiana that was his experiment in equality and economic cooperation. Owen theorized that the growth of technology—or, as he referred to it, “mechanism”—was inherently accompanied by extreme economic inequalities. This was due to the fact that human selfishness was a product of unrestrained competition and greed. As a remedy, he advocated expanding public works and education to help workers in times of economic stagnation and depression and, most importantly, basing the economic organization of society on small, self-sufficient and cooperative communities.

Even more, the radicals highlighted the power relations that were inherent in these emerging patterns of economic inequality. There was also no mistaking the fact that they approached the subject from the point of view of the assumptions of political equality and that they did not see a separation between the abstract equality of political rights and the

substantive equality that ought to be inherent in the economic sphere. There was a very real consciousness that America's political project of abolishing servitude and bondage—with the obvious exception of southern slavery—was now under assault. There was no questioning the fact that a new set of power relationships—those which were replicating the old feudalistic patterns of the aristocracy—was emerging with the onset of modern capitalism. Stephen Simpson, writing in 1831 in his *The Working Man's Manual*, saw the stakes clearly. Unequal wealth was due to the new legal institutions such as corporations and chartered monopolies (essentially one and the same for the radicals) and their ability to recreate the hierarchical power relations of the past with great ease. This, Simpson claimed, was due to the growing influence of “Law” rather than the rightful place of industry, of working men. “I use the term Law as a generic word, embracing all the details that affect the distribution of wealth, such as moneyed corporations, chartered monopolies, and that endless chain of levers which move industry to empty her gains into the lap of *capital*, and which effectively frustrate and defeat the grand object of rational self-government on the basis of individual freedom and personal merit.”<sup>46</sup>

For Simpson, there was no mistaking the fact that this was leading to a recreation of the servitude of working people to the wealthy and the essential destruction of equality and freedom. Drawing the parallel to the feudal systems of all nations of the past, Simpson was able to make his claim that America was witnessing a degeneration of its most cherished and important political and moral ideal, that of equality itself.

Having shaken off, renounced, and branded those [feudal] systems of antiquated barbarism and monkish superstition, by all the great leading documents of our national existence, we are bound by the highest and most sacred ties of moral, religious, and political obligation to bring the condition of the people, in respect to the wages of labor and the enjoyment of competence, to a level with their abstract

political rights, which rights imply necessarily the possession of the property they may produce, on principles of equity congenial to the equal rights guaranteed by the organic law. To substitute Law for the distribution of labor is to introduce the chief feature of the feudal systems of Europe into the free, self-formed, and equitable republic of this country, and amounts to a virtual repeal of the very first principle of the Declaration of Independence and the Constitutions of the Union and the States.<sup>47</sup>

This emphasis on the connection between political rights and economic reality was no rhetorical device; it expressed the confusion and the anger that the emerging economic system was evoking in working people as economic society was changing from one based on small economic communities to larger ones based on wage and factory labor.<sup>48</sup> Inequality was a consequence since now the divide between owners and workers had grown in intensity. For radicals like Simpson, there was no questioning the effects of inequality: it was leading to a condition of serfdom less than half a century after the revolution had shaken off those archaic institutions of servitude.

Politics could be used against economics. Indeed, it was to be used to reign in the excesses of the new economy and to defend the political principles upon which the “principles of the Declaration of Independence” had been founded. Simpson, like the other radical egalitarian critics of his time, saw that the political principles of equality and the emphasis on principles of the common good were being eroded by the ability of economic interests to outweigh the political interests of the whole community. Working people therefore had a political obligation to use politics against the interests of the minority who sought nothing less than their oppression and the elimination of their political and social rights:

Like the abolishment of the laws of primogeniture and entails, we must commence with laws establishing the true principle of the distribution of wealth. To do this, the producers of wealth must

cooperate through the usual means of commanding a majority of voters and of representatives, by parties, by combinations among the wronged never to vote for men who will favor the principles that oppress them.<sup>49</sup>

Radical critics of inequality therefore were not intent on a radicalization of politics; their intent was simply the utilization of already present political institutions against the interests of corporate wealth. Working people were therefore not unlike a universal subject “placed by nature in a moral and physical attitude which conspire to carry perfection all the attributes that ennoble his mind and procure happiness to his being, presents to the world the imposing spectacle of Liberty and Reason combining to consummate Justice.”<sup>50</sup>

Byllesby’s *Observations on the Sources and Effects of Unequal Wealth* was also the product of this emerging worker culture. Published in 1826, it was the first sustained analysis of economic inequality in America and at its core was the political imperative of the equal right of all to the pursuit of happiness and the “Inaptitude of the primitive and existing institutions to admit that right, by their generation of unequal wealth, and warlike inclinations, through the assumption of fixed property in the soil, the introduction and perversion of the uses of money and the system of trafficking.”<sup>51</sup> Wealth was the product of labor and this was, in Byllesby’s view, a universal truism: man had the right to the products of his own labor and this was the source of the pursuit of happiness and of true equality. With the rise of new economic systems of ownership and production—specifically the erosion of the older forms of craft production and the move toward industrial production—new forms of ownership began to arise. Inequality was the result of this transformation, and for Byllesby, what was at stake was nothing less than the

possibility of true freedom as a result of this new system and its inegalitarian implications.

The ownership of property was not at issue; what was at issue was that property was supposed to be the product of individual labor. The inequality of the distribution of wealth was therefore tied to the destruction of the pursuit of happiness since the economy was the means to that end. The rich capture labor that is not theirs, amass great wealth and tie workers to their own economic interests “thereby destroying the equality of means, and essentially the *equality of right*, to the ‘pursuit of happiness’ and enjoyment, however the sufferers may be deluded with the notion that they still retain that right.”<sup>52</sup> Not unlike Rousseau’s philosophical argument explaining the origin of inequality, Byllesby saw that it was perpetuated by the ignorance of the majority who unwittingly accept their own systemic disenfranchisement. The link between political rights and economic conditions would prove to be an important link for the radical critics. They were able to see that the move toward economic modernity would effectively change the character of their political rights; that a move toward wage labor was consequently a substantial move away from the conception of economic autonomy that they held dear and which was seen as the material foundation of all political notions of liberty and self-determination. Unlike Carey or the later economists of the late nineteenth- and early twentieth-centuries, they did not invest the economic system with seemingly natural powers and they were able to see that economic inequality was the beginning of a long slide toward servitude.

A distinction was made between “business corporations,” which were essentially small in size and regulated by law, and banks, monopolies and larger corporations; it was

a distinction based simply on the kind and amount of social power yielded. David Henshaw, writing in 1837, argued that “[b]usiness corporations, excluding banks and all large corporations for trading in money, when judiciously granted and suitably regulated, seem to me generally beneficial and the natural offspring of our social condition. But if they are to be placed beyond legislative control and are thus to become monopolies and perpetuities, they assume an aspect the reverse of this and become alarming excrescences upon the body politic.”<sup>53</sup> The state regulated all kinds of activities from certain limitations on free speech to certain kinds of “amusements” and, for Henshaw, there was no reason not to extend this to the sphere of corporations as well. Evoking the Constitution of the State of Massachusetts, Henshaw crafted an argument which viewed corporate interests as against the common good since they sought to take advantages of others for their own benefit. It was therefore the responsibility of the state to reign in their excesses and to “correct” those who do not “conduce to the common good.”<sup>54</sup>

What radicalism brought to the table—aside from its political perspective on equality and its populist rhetoric—was an analysis of the new economic organization of society, and an analytical perspective that penetrated into the mechanisms of inequality itself. Whereas thinkers like Carey were concerned with analyzing the economic community and the interdependence of the different classes which were its constituent parts, the radicals—taking the labor theory of property as their central moral and social scientific lens—looked to the relation between employer and employee, between wealth and labor and the way that these relationships were constituted and the way that they perpetuated themselves. William Gouge, in his *A Short History of Paper Money and Banking in the United States*, looked to the way that banking distorted the “natural”

distribution of wealth by privileging owners over producers. The resulting inequality would have effects that would impact more than the individual. “It is not easy to set bounds to the effects of a single act of injustice. If you deprive a man of his property, you may thereby deprive him of the means of properly educating his children and thus affect the moral and intellectual character of his descendants for several generations.”<sup>55</sup> This, Gouge argued, was an effect of modern commerce which was itself bound to a reproductive cycle that would continuously generate inequality in wealth between classes, cleaving society in two:

[U]nequal political and commercial institutions invert the operation of the natural and just causes of wealth and poverty, take much of the capital of a country from those whose industry produced it and whose economy saved it, and give it to those who neither work nor save. The natural reward of industry then goes to the idle, and the natural punishment of idleness falls on the industrious.<sup>56</sup>

Orestes Brownson’s essay “The Laboring Classes” of 1840 pointed out that inequality was the result not simply of banks and privilege. The system itself worked in such a way so as to effectively rob those who labored of their own property. Merchants did this by artificially adding price to what was already produced. Remuneration was no longer based on effort, skill, labor. It was increasingly becoming based on “mischievous social arrangements” based on the drive for profits and the manipulation of the market: “It may be laid down as a general rule, with but few exceptions, that men are rewarded in an inverse ratio to the amount of actual service they perform.”<sup>57</sup> Readers of Marx’s more sophisticated analysis of the labor process under capitalism will undoubtedly find a rough affinity with the theory of the working day.

Similarly, the opening lines of John Pickering’s *The Working Man’s Political Economy* argued that “men do not accumulate property in proportion to their industry;

but the reverse is the fact.” Pickering saw that “capitalists” and the economic system that they were promoting was in contradiction with the basic tenets of American liberty: “the argument so often brought forward to sustain the positions of those who advocate the justice and propriety of granting special privileges, under a government based upon the principle of equal rights, *falls to the ground.*”<sup>58</sup> Going back to the labor theory of property was therefore a radical move: it stood in the face of wage servitude—something that Brownson and other radicals saw as particularly pernicious—and, more importantly, it would restore what was “natural” against what was “artificial.” Reliance on the labor theory of property—perceived as a natural right—meant that the accumulation of great wealth of the kind that radicals like Pickering saw around them was not the fruits of individual labor, but of the appropriation of labor by capitalists. Herein was the crucial aspect of the new economic system that would crush the rights of man, equality and liberty and usher in a new age of dependency and servitude as well as massive economic disparities of wealth and power.

America was not falling back into the older political forms of aristocracy or tyranny, as the early revolutionary generation had feared. The kind of economic inequality that manifested itself as the middle of the century approached meant most immediately the loss of the economic independence of workers. It is therefore little surprise that Whigs of the period and the rhetoric of the Jacksonian era were so critical of inequality.<sup>59</sup> Locofocos like William Leggett saw that the emergence of new ideas of property—such as was being pushed by “banking incorporations”—were overcoming the political ideals of equality. Opulence was being protected at the expense of the poor. Where did the wealthy gain the opulence one saw in New York, Philadelphia or Boston?

“They owe [it] to special privileges; to that system of legislation which grants peculiar facilities to the opulent, and forbids the use of them to the poor; to that pernicious code of laws which considered the rights of property as an object of greater moment than the rights of man.”<sup>60</sup> The economy was becoming intertwined with political power creating a legally sanctioned aristocracy and the rights of man that had previously been heralded by the revolution and its generation were hanging on the edge of a precipice.

The radicals still wanted equality of condition, but they saw it would be the natural outgrowth of an equality of effort and labor—effectively of an equality of opportunity. But the new economic relationships were smashing the foundations for any equality of opportunity and they therefore concentrated their critique on the system itself rather than a narrow emphasis on opportunity.<sup>61</sup> What informed their economic ideas was a normative sense that wage servitude and economic dependence were fundamentally against the political principles of America’s republican democracy. It would result in nothing more than the total disenfranchisement of working people and lead to a new form of inequality where wealth and opulence ruled over the laboring masses. Indeed, most Americans knew that anything akin to perfect equality was illusory and utopian; but they did recognize that relative equality of condition was the product of the rewards garnered from honest labor and a natural distribution of reward from individual effort and the freedom from economic and political dependency.

Since capitalism was evolving not in the agrarian sector but in the cities, it was the manual laborers and “mechanics” that were to feel its initial effects—but they were the minority of the overall American economy which was still predominantly agrarian or bound to smaller economic communities. The problem was seen to be institutional in

nature: capitalism had to be opposed on the basis that it corrupted the economic base of the time which was, in itself, the realization of certain political principles such as equality and liberty. The small, self-sufficient, self-employed, independent and unincorporated kind of enterprises that most people were engaged in was the realization of those political ideas. Any threat to that form of economic organization was also an attack on the realization of those American political principles. They did not seek state intervention in the economy, that, in their view, was not necessary. All that was needed was for charters and banks to be disbanded; for the law to properly award property and wealth to those that actually produced—i.e., worked or labored—for it. Skidmore wanted a radical redistribution of property; Byllesby believed that “associations” of workers could organize to protect their interests from the effects or “evils” of unrestrained competition. For Carey and the radicals alike, free competition was not the cause of the problem, but the radicals knew that the manipulation of labor and property by a new economic class was the source of inequality and that the real essence of the mechanism of inequality was contained in the economic relationship between workers and owners.<sup>62</sup> Only the radicals were able to connect these concerns with the categories of political equality and freedom, and they did so not as Lockean liberals, but as critics of social power, hierarchy and domination. To be sure, they accepted the idea that individual labor was the source of wealth as well as equality, but they rejected Lockean ideas such as the ability to claim ownership through the payment of wages, a core aspect of Locke’s pre-political state of nature and a crucial addition to his labor theory of value.

But the failure of their movement was brought about not by the fact their arguments were not heard. Their critiques of inequality resounded with skilled laborers

and new workers in an economic system that was rapidly changing. The move to large-scale industrialism would render calls for the abolition of wage labor obsolete. New economic imperatives were met with a new demand for new forms of employment. The very culture and institutions of work were rapidly changing and in the process, the radical call for equality would not diminish, but be overshadowed by the national crisis that burst onto the scene with the Civil War. In many ways, the legacy of the radical egalitarians was their insistence on an institutional critique of the production process as well as their linkage between wage labor, inequality and the demise of worker autonomy and the political and social equality which that brought with it.

What was becoming clear in the discourse on economic inequality in America was that it was reacting to the realities of economic modernity: of the movement from small scale agriculture and commerce to larger, more complex circuits of production and distribution and the formation of new economic entities such as the legal corporation. Movement away from the moral foundation of the American economy and toward the cash nexus meant a move toward production, distribution, speculation and investment that was for private interest and profit over the earlier aim of self-sufficiency. The maturation of the early American system of commerce was becoming a groundwork for industrial capitalism. The rise of inequality in the early nineteenth-century was therefore not simply a matter for political economists, it resonated immediately with the political concerns of workers and those intellectuals who saw that the political rights of equality and liberty were under siege as capitalism developed. As the ends of economic activity were being reoriented, resorting to politics and political principles of equality was only rhetorical—the essential moment was the radicalization of the liberal theory of property

and labor. By seeing the emerging system as inherently against the interests of equality and liberty, Orestes Brownson was perhaps more prescient than he could have imagined when he wrote: “You must abolish the system or accept its consequences. No man can serve both God and Mammon. If you will serve the devil, you must look to the devil for your wages; we know no other way.”<sup>63</sup>

Notes

<sup>1</sup> See Sean Wilentz, "America's Lost Egalitarian Tradition," *Daedalus*, winter 2002 for an excellent discussion of the sources of the egalitarian tradition in American political thought.

<sup>2</sup> Alexis de Tocqueville, *Democracy in America*, p. 138 (New York: Harper Perennial, 1969).

<sup>3</sup> I am, of course, referring to Louis Hartz's classic argument for American liberal exceptionalism (see his *The Liberal Tradition in America*). Hartz's argument is not wrong in the sense that liberalism would become an overriding dimension of American political and economic life, but it is important to see how this was separated over time from a broader concern with a civic republican concern for the public good and the search for the proper balance between individual self-interest and liberty on the one hand and the duties individuals must have toward the community and the maintenance of the public good on the other.

<sup>4</sup> There is a large literature on this subject. Prominent examples include: J. G. A. Pocock, *The Machiavellian Moment: Florentine Political Thought and the Atlantic Republican Tradition* pp. 506-552 (Princeton: Princeton University Press, 1975); Gordon Wood, *The Radicalism of the American Revolution* (New York: Vintage, 1993); Joshua Foa Dienstag, "Serving God and Mammon: The Lockean Sympathy in Early American Political Thought," *American Political Science Review*, vol. 90, no. 3 (1996); Eve Kornfeld, "From Republicanism to Liberalism: The Intellectual Journey of David Ramsay," *Journal of the Early Republic*, vol. 9, 1989; Steven Dwoletz, *The Unvarnished Doctrine: Locke, Liberalism, and the American Revolution* (Durham: Duke University Press, 1990). For more recent perspectives on the debate between republican and liberal interpretations of American political thought, see Jürgen Heideking and James Henretta (eds.) *Republicanism and Liberalism in America and the German States, 1750-1850* (Cambridge: Cambridge University Press, 2002).

<sup>5</sup> For an important discussion, see Stephen Eric Bronner, *Reclaiming the Enlightenment: Toward a Politics of Radical Engagement* pp. 41-60 (New York: Columbia University Press, 2004). The argument for a fusion of liberalism and republicanism was made much earlier by Lance Banning, "Republican Ideology and the Triumph of the Constitution, 1789 to 1793," *The William and Mary Quarterly* 31, 1974, and "Jeffersonian Ideology Revisited: Liberal and Classical Ideas in the New American Republic," *The William and Mary Quarterly* 43, 1986. For those who argue not for a synthesis of the two but rather parallels between liberalism and civic republicanism with an emphasis on liberalism, see Isaac Kramnick, *Republicanism and Bourgeois Radicalism* (Ithaca: Cornell University Press, 1990) and James T. Kloppenberg, "The Virtues of Liberalism: Christianity, Republicanism, and Ethics in Early American Political Discourse," *Journal of American History* vol., no. 74, 1987. Other scholars have questioned the extent to which republicanism displaced liberalism during early American political thought, emphasizing the importance of Lockean liberalism. See Joyce Appleby, "Liberalism and the

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American Revolution,” *New England Quarterly* 49, 1976; *Capitalism and a New Social Order: The Republican Vision of the 1790’s* (New York: NYU Press, 1983); and “Republicanism in Old and New Contexts,” *The William and Mary Quarterly* 43, 1986; as well as John Patrick Diggins, *The Lost Soul of American Politics: Virtue, Self-Interest and the Foundations of Liberalism* (New York: Basic Books, 1984).

<sup>6</sup> Several classic examples include: C. B. MacPherson, *The Political Philosophy of Possessive Individualism* (New York: Oxford University Press, 1958); Harold Laski, *The Rise of Liberalism: The Philosophy of a Business Civilization* (New York: Harper and Brothers, 1936); and Leo Strauss, *Natural Right and History* (Chicago: University of Chicago Press, 1953).

<sup>7</sup> See Linda K. Kerber, “The Republican Ideology of the Revolutionary Generation,” *American Quarterly*, vol. 37, no. 4, 1985.

<sup>8</sup> One might look at the political ideas of those in the English Commonwealth tradition, especially the writings of Milton, as examples of this integration of individual conscience and republican forms of political freedom and social solidarity.

<sup>9</sup> For an important discussion, see Carl L. Becker, *The Declaration of Independence*, ch. 2 (New York: Vintage, 1955).

<sup>10</sup> Tony Freyer, *Producers versus Capitalists: Constitutional Conflict in Antebellum America*, p. 8 (Charlottesville: University Press of Virginia, 1994).

<sup>11</sup> For an excellent discussion, see Drew McCoy, *The Elusive Republic: Political Economy in Jeffersonian America*, pp. 13-47 (New York: W. W. Norton, 1982).

<sup>12</sup> For an important discussion, see Joyce Appleby, *op. cit.*, pp. 1-25. Also see Gordon Wood, *op. cit.*

<sup>13</sup> See Gordon Wood, *op. cit.*

<sup>14</sup> The literature on economic inequality in early northeastern American cities—the place where commerce was first taking root—shows a general picture of rising economic disparities between the poor and the wealthy. See James Lemon and Gary Nash, “The Distribution of Wealth in Eighteenth Century America: A Century of Changes in Chester County Pennsylvania, 1693-1802,” *Journal of Social History*, vol. 2, no. 1, 1968; Gary Nash, “Urban Wealth and Poverty in Pre-Revolutionary America,” *Journal of Interdisciplinary History*, vol. vi, no. 4, 1976; William Pencak, “The Social Structure of Revolutionary Boston: Evidence From the Great Fire of 1760,” *Journal of Interdisciplinary History*, vol. x, no. 2, 1979; Allan Kulikoff, “The Progress of Inequality in Revolutionary Boston,” *The William and Mary Quarterly*, vol. xxviii, no. 3, 1971; James Henretta “Economic Development and Social Structure in Colonial Boston,” *The William and Mary Quarterly*, xxii (1965). For a dissenting view, see G. B. Warden,

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“Inequality and Instability in Eighteenth-Century Boston: A Reappraisal,” *Journal of Interdisciplinary History*, vol. vi, no. 4, 1976.

<sup>15</sup> For a discussion, see Joyce Appleby, *Capitalism and a New Social Order: The Republican Vision of the 1790s*, pp. 10-15.

<sup>16</sup> For an analysis of the economic trends of inequality in this period, see the excellent work of Jeffrey G. Williamson and Peter H. Lindert, *American Inequality: A Macroeconomic History*, pp. 9-95 (New York: Academic Press, 1980). Also see Lee Soltow, *Distribution of Wealth and Income in the United States in 1798*, pp. 35-59 (Pittsburgh: University of Pittsburgh Press, 1989).

<sup>17</sup> See Barbara Clark Smith, “Food Rioters and the American Revolution,” *The William and Mary Quarterly* vol., LI, no. 1, 1994.

<sup>18</sup> For the importance of the discourse of letters on the political atmosphere of the revolutionary period, see Michael Warner, *The Letters of the Republic: Publication and the Public Sphere in Eighteenth-Century America* (Cambridge: Harvard University Press, 1990).

<sup>19</sup> Quoted in Gary Nash, “Urban Wealth and Poverty,” op. cit.

<sup>20</sup> *New York Gazette*, July 11, 1765.

<sup>21</sup> For an historical discussion, see Becker op. cit.

<sup>22</sup> For a discussion of leveling in the colonial period and its effect on the discourse on economic inequality, see Thomas Ingersoll, “‘Riches and Honor Were Rejected by Them as Loathsome Vomit’: The Fear of Levelling in New England,” in Carla Gardina Pestana and Sharon V. Salinger, (eds.) *Inequality in Early America*, (Hanover: University Press of New England, 1999).

<sup>23</sup> For an excellent discussion of these ideas, see Martin J. Burke, *The Conundrum of Class*, pp. 1-21 (Chicago: University of Chicago Press, 1995).

<sup>24</sup> Federalist #51. *The Federalist*, p. 339 (New York: The Modern Library, 1933).

<sup>25</sup> Federalist #10, op. cit., p. 56.

<sup>26</sup> John Adams, *A Defense of Constitutions of Government of the United States*, in *Complete Works*, 6:9, p. 10.

<sup>27</sup> For an important discussion, see John R. Howe Jr., *The Changing Political Thought of John Adams*, pp. 133-192 (Princeton: Princeton University Press, 1966). Also see Lee Soltow, op. cit. pp. 18-22 and Joseph Dorfman, *The Economic Mind in American Civilization, vol. 1, 1606-1865*, pp. 417-433 (New York: Viking Press, 1946).

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- <sup>28</sup> George Logan, "Five Letters Addressed to the Yeomanry of the United States," quoted in Martin J. Burke, op. cit. p. 39.
- <sup>29</sup> James Lyon, "To Aristocrats Generally," *National Magazine*, 1 (1799) pp. 14-15, quoted in Martin J. Burke, op. cit. p. 40.
- <sup>30</sup> For more on Jefferson's ideas on public and private morality and its Greek and Christian roots, see Garrett Ward Sheldon, "Classical and Modern Influences on American Political Thought: The Political Theories of Thomas Jefferson," (Ph.D. diss., Department of Political Science, Rutgers University, 1983).
- <sup>31</sup> Richard Hofstadter, *The Age of Reform*, ch. 1 (New York: Vintage, 1955).
- <sup>32</sup> *Notes on the State of Virginia*, p. 226 in Merrill Peterson, (ed.) *The Portable Thomas Jefferson*, (New York: Viking Press, 1975).
- <sup>33</sup> *Ibid.*, p. 217.
- <sup>34</sup> *Ibid.*
- <sup>35</sup> "Letter to James Madison, October 28<sup>th</sup>, 1785," p. 396 *The Portable Jefferson*.
- <sup>36</sup> "First Inaugural Address," p. 293 *The Portable Jefferson*.
- <sup>37</sup> For an interesting discussion on Jefferson's concept of property and its relation to the ideas of Aristotle, see Jill Frank, "Integrating Public Good and Private Right: The Virtue of Property," in Aristide Tessitore (ed.) *Aristotle and Modern Politics: The Persistence of Political Philosophy* (Indiana: University of Notre Dame Press, 2002).
- <sup>38</sup> Rogers Smith, "Beyond Tocqueville, Myrdal, and Hartz: The Multiple Traditions in America," *American Political Science Review*, vol. 87, no. 3, 1993.
- <sup>39</sup> John Taylor, *An Inquiry into the Principles and Policy of the Government of the United States* p. 434 (New Haven: Yale University Press, 1950).
- <sup>40</sup> For a more technical discussion of Quesnay's political economy, see Mark Blaug, *Economic Theory in Retrospect*, pp. 25-29 (Cambridge: Cambridge University Press, 1979).
- <sup>41</sup> Paul Conkin, *Prophets of Prosperity*, p. 264 (Bloomington: Indiana University Press, 1980).
- <sup>42</sup> Thomas Skidmore, *The Rights of Man to Property!* pp. 3-4 (New York: Burt Franklin, 1829).

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<sup>43</sup> Ibid., p. 5.

<sup>44</sup> For an historical discussion, see Ronald Schultz, *The Republic of Labor: Philadelphia Artisans and the Politics of Class, 1788-1830* (New York: Oxford University Press, 1993) and Sean Wilentz, *Chants Democratic: New York City and the Rise of the Working Class, 1788-1850* (New York: Oxford University Press, 1984).

<sup>45</sup> Theophilus Fisk, "Capital against Labor: An Address Delivered at Julien Hall before the Mechanics of Boston on Wednesday Evening, May 20, 1835," *New York Evening Post*, August 6, 1835, p. 2.

<sup>46</sup> Stephen Simpson, *The Working Man's Manual: A New Theory of Political Economy, on the Principle of Production the Source of Wealth*, p. 145 in Joel Blau, (ed.) *Social Theories of Jacksonian Democracy* (Cambridge: Hackett Publishers, 2003).

<sup>47</sup> Ibid.

<sup>48</sup> For a discussion, see Charles Sellers, *The Market Revolution: Jacksonian America 1815-1846* pp. 282-289 (New York: Oxford University Press, 1991).

<sup>49</sup> Simpson, *ibid.*, p. 162.

<sup>50</sup> Ibid.

<sup>51</sup> Langton Byllesby, *Observations on the Sources and Effects of Unequal Wealth*, p. 24 (New York: Russell & Russell, 1961 [1826]).

<sup>52</sup> Ibid., p. 49.

<sup>53</sup> David Henshaw, *Remarks upon the Rights and Powers of Corporations, and of the Rights, Powers, and Duties of the Legislature Toward Them* in Joel Blau, *op. cit.*, p. 163.

<sup>54</sup> Ibid., p. 165.

<sup>55</sup> William Gouge, *A Short History of Paper Money and Banking in the United States*, p. 184 in Joel Blau (ed.), *op. cit.*

<sup>56</sup> Ibid.

<sup>57</sup> Orestes Brownson, "The Laboring Classes," p. 49 in Alvan Ryan, (ed.) *The Brownson Reader* (New York: P. J. Kennedy & Sons, 1955).

<sup>58</sup> John Pickering, *The Working Man's Political Economy*, pp. 3, 6 emphasis in the original. (New York: Arno Press, 1971 [1847]).

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<sup>59</sup> For an excellent discussion, see Lawrence Frederick Kohl, *The Politics of Individualism* pp. 186-227 (New York: Oxford University Press, 1989) as well as James L. Huston, *Securing the Fruits of Labor*, pp. 259-295 (Baton Rouge: Louisiana State University Press, 1998).

<sup>60</sup> William Leggett, "The Inequality of Human Condition," in *A Collection of the Political Writings of William Leggett*, vol. 2, p. 163 (New York: Taylor & Todd, 1840).

<sup>61</sup> The emphasis on equality of opportunity would move to the forefront of the discourse on inequality later in the nineteenth-century when monopoly power was seen to be its main threat (for a discussion, see chapter 4). But the radicals of the early nineteenth-century were more keen, in this regard, since they were able to point to the systemic moment when all forms of economic parity were lost: the move toward wage labor itself.

<sup>62</sup> For a discussion of Byllesby and Carey and the historical context of their ideas, see Cathy D. Matson, "Economic Thought and the Early National Economy," pp. 117-136 in Paul A. Gilje, (ed.) *Wages of Independence: Capitalism in the Early American Republic* (Madison, WI: Madison House, 1997).

<sup>63</sup> Orestes Brownson, *op. cit.* p. 52.

## CHAPTER IV

### **Inequality and the Transformation of American Capitalism: From Class Antagonism to Reconciliation**

After the Civil War, the very nature of markets and the economy began to change rapidly. Especially in the rubble of the South, markets became exploitive and predatory. With the secession of the Confederate states, the older sectional constraints on northern capital were no longer there to contain the economic interests of the maturing industrial economy. The institutional shifts in American capitalism were mirroring the great shifts in European society and its turn to economic and political modernity. However, the ensuing increase in inequality in Europe was seen differently than in the United States. Nineteenth-century European intellectuals did not see economic activity in such a benign light—for thinkers as diverse as Marx, Matthew Arnold, John Stuart Mill and Eduard Bernstein, among many others, capitalism was premised on division, exploitation and immiserization. Whether it was Durkheim's analysis of the consequences of the division of labor, Marx's understanding of modern social power and its relationship to the all-encompassing influence and processes of capital, or Matthew Arnold's critique of economic inequality as demeaning to civilization and to humanism, the fundamental tenets were essentially the same: the barbaric effects of modern capitalism needed to be overcome and society transformed toward universal, rather than particular, human ends.

The sharp increase in economic inequality during the latter part of the nineteenth-century was highly correlated with the concurrent rise of industrialism.<sup>1</sup> What Benjamin Disraeli referred to as “two nations” in England—those of the rich and the poor—was becoming an increasing social and political problem wherever industrial capitalism was

expanding. Inspired by the legacy of Enlightenment moral and political principles, European radicals of the mid- to late- nineteenth-century were able to see the emergence of capitalism as simply the extension of previous forms of inequality. This resonated with the ideas of American radical critics of the Jacksonian era, but there was little cross-fertilization until the decades after the Civil War. In the American political discourse economic inequality was intimately bound with political ideas. The nature of antebellum American society was one where economic life was intimately bound with the understandings of equality and liberty. Through its Protestant work ethic and its secularized variant of a Lockean-inspired understanding of labor, property, liberty and individualism, economics was the necessary counterpart to political ideas of equality and freedom. And it is for this reason that the emergence of economic inequality—and its intensification—became such a political problematic, for without self-sufficient labor, dependency would result and inequality would cause excesses of power in the hands of a few.

But the concentration of economic power alone was not what motivated the radical critics of the first half of the nineteenth-century who took as their central problematic the emerging and intensifying economic disparities of their time. It was the threat of economic dependence which was their central target. The emergence of the new economic order seemed to threaten everything that was unique about the American republic specifically its differences from European ways of life which were seen to be outmoded and hostile to the “natural” forms of human liberty concretized in American society. The concern with economic inequality was bound up with every aspect of modernity. There were constant concerns throughout the nineteenth-century that

America would somehow not be immune to the degenerating social effects of industrialism evident in European economics. American travelers that visited industrial cities like Manchester in England saw the industrial city as inherently opposed to what they saw as America's republican civilization. The squalid and wretched conditions of the working class in places like Manchester was evidence of the fruit of the brutal economic system that America had left behind. America's republican virtues were thankfully embraced as a barrier, at least for the time being, to such conditions.<sup>2</sup>

But despite this, the post-Civil War years witnessed the rise of concentrated economic power, the deepening of economic inequality and a new, much wider pattern of social and political polarization. It would see the clash of economic interests in the form of the "war of labor and capital," and it would also see the clash of ideologies on economic inequality. The rise of the large corporation and the massive transformation of American society had profound effects on the moral weight and political salience of economic divisions. The rise of laissez faire not only as a doctrine but as an empirical reality in American society caused social convulsions and moral reprobation. Capital was able to operate without restriction and there were no safeguards for the effects that industrialism was having on the lives of working people and their interests. The economic change that was effected by capitalist development was therefore transforming not only the material relations of whole groups of people, it was also affecting the ways that members of society legitimized these new social and economic relationships. As capitalism was becoming increasingly entwined with legal doctrine and political institutions, it also was changing previously shared conceptions of what civilization and

progress actually meant. The market transformation of society was beginning to take root, to proliferate, and to yield its fruit.

The connection between the changing discourse on inequality and the economic context of the time needs to be made explicit. Without question, there was the spread of the doctrine of Social Darwinism just as the Gilded Age began to take off, indicating a tie between economic interests and social theories. Martin Sklar was correct when he argued that capitalist business activity “presupposes, and is permeated by, a complex mode of consciousness, that is by ideas and ideals about deliberate calculation of ends and means with respect to other persons; about the shape of society, its approved goals and moral standards; and about the law and jurisprudence, party politics, and the range and limits of government authority.”<sup>3</sup> The arguments against economic inequality in this period therefore began to change not simply because a different set of interests were at stake—there was also a fundamental sociological transformation which produced a different sense of what economic equality was, how it related to the activity of the state and how it related to political ideas more broadly.

In addition to the sociological shift that scholars such as Sklar have emphasized, there was also an important change in class structure and the nature of the market as big business grew in size and in scope. Alfred Chandler argues that in addition to a concentration of capital and wealth, there was a simultaneous growth of a “new class” of professionals and managers. The most salient implication of this insight was expressed in his book *The Visible Hand* where he argues that the older ideas about Adam Smith’s “invisible hand” and the free operation of the impersonal market was being replaced with decisions made by a more highly complex bureaucratic corporate elite. The old economy

was changing, and changing rapidly. It was becoming not only larger in terms of economic concentration—which began with new transportation technologies such as the railroad, more densely concentrated urban markets, and scale economies which were able to produce more and therefore simultaneously stimulate consumption—but in terms of its bureaucratic structure as well.<sup>4</sup> This would rapidly change not only the way the market would work, it would eventually also undermine the older presumptions about the market as the impersonal distributor of wealth by means of “free labor.”

The labor radicalism of the antebellum period railed against the onslaught of economic modernity—specifically the emergence of wage labor and the erosion of smaller, more cohesive economic communities—because they saw it as leading toward conditions of servitude in economic and political life. Economic inequality was not simply an injustice, it meant—at a much deeper, more political level—the material destruction of the very political ideals upon which the American republic was founded. The intimate relationship perceived between economy, morality and polity in an earlier era began to split apart as capitalism developed and modernization proceeded. Equality of condition and equality of opportunity in this period were still one and the same for these thinkers since once everyone was able to enter freely into economic life, a rough equality of condition would result. Inequality of economic conditions was the result of the distortion of equality of opportunity; and the concentration of economic power, the emergence of the modern corporation, the dismantling of smaller economic communities which were, for the most part, self-sufficient unto themselves were all taking away this kind of equality of opportunity.

Economic modernity, modern capitalism itself, was therefore seen as the genesis of a new kind of social stratification which would threaten individual liberty by creating conditions of dependence and servitude. But the new economic system that made industrialism possible changed the economic preconditions of this argument. The very nature of industrialism was mass employment which meant the overshadowing of the older, smaller economic communities which Matthew Carey, Orestes Brownson and others saw as the foundation of American economic life. Moralists like Henry George and Edward Bellamy called for overcoming economic inequality by overcoming the social atomism that modern industrial capitalism had proliferated. But others like E. L. Godkin were not optimistic about the calls for reform or radical change, writing that “when a man agrees to sell his labor, he agrees by implication to surrender his moral and social independence” regretting that workers were “legally free while socially bound.”<sup>5</sup>

What was at issue was therefore a change of social cosmology. The economic changes that ushered in the era of industrial capitalism were intimately tied to ideas of progress and innovation that were a function of the rise in technological production. This, in turn, had a profound effect on the different goals and interests that different classes possessed and sought. Inequality was becoming more central to many of the debates that plagued academics, policy makers and popular writers. But the notion of “equality of condition” would become increasingly utopian in socio-political terms and “equality of opportunity” would become emphasized by those criticizing the inegalitarian effects of industrial capitalism. The shift was not simply a change of emphasis, however, it reflected an acceptance of economic modernity. Economic modernity was not simply a transformation of economic institutions, it was also constituted by the spread and

general acceptance of the institution of wage labor. The radical critics of the early nineteenth-century reacted against wage labor because it reduced the worker to a mere “hireling,” or one who would serve for wages. As capitalism grew, so did proletarianization and this acceptance of the wage system would have a deep effect on the way economic inequality would be conceptualized.

The radical views of Thomas Skidmore and his call for an equal redistribution of property and Orestes Brownson’s call for the elimination of the system of wage labor—all striving for a rough equality of economic condition—would change with a new generation into arguments against the monopolistic character of the economy. The older notions of political virtue which were premised on the republican themes of the Revolutionary generation were eroding and the liberal idea of labor and individualism was beginning to take hold. This tendency in American political culture—one brought about largely by the changing nature and structure of American capitalism—would inevitably serve as the guidelines by which capital and labor would deal with the problem of social divisions spawned by the great age of high industrialism. The foundation for the liberal economic ethic that had evolved in American political economy and moral thought was being pitted against new and more complex historical conditions: the institution of capital, of monopoly, and the nationalization of the economy.

The liberal economic ethos worked so well with the emerging democratic ideas of the nation because the assumption was that once labor was freely able to express itself and individuals accumulated property from their labor, skill and talent, a rough condition of equality would emerge. Equality of opportunity and condition were therefore conceptually linked; but the new institution of capital—which Marx correctly termed a

*process* and not simply property—would organize society in a decidedly different way, making these older conceptions of liberty and labor, economy and morality obsolete. It was the task of critics of inequality to come to terms with this. Some did better than others. In the end they would also have to confront a new argument legitimizing inequality which derived from Spencerian ideas of social Darwinism but also was consonant with older arguments against equality in American social and political thought. In the end, inequality would only be successfully confronted once policy makers saw that capitalism was here to stay but also that labor as a force in and of itself was as well. With the settling of the industrial order, it was clear that democratic principles were being sacrificed to the workings of capital. In time, the radicalism of labor on the one hand and the newer arguments wedding the worsening condition of class inequality with social progress, democracy and liberty would be tamed, subdued and brought into line. American social and political thought would therefore reflect the fractious nature of class society of the time, but it would move from a general condition of antagonism to one of reconciliation and consensus. These new policy makers and intellectuals—all of whom worked under either the Progressive and New Deal Eras—would forge a liberal-capitalist consensus that would hold for decades, finding its apex in the New Deal and the social welfare programs of the 1960s.

### **Race, Class and the Problem of Inequality**

The aftermath of the Civil War presented the American discourse on inequality with a new set of problems. The debates over the project of Reconstruction revolved around the extent that equality ought to be conceived and then extended to the freed slaves

of the South. Dominant was the ideology of “free labor” which was crucial to the ideological core of the Republican party even before the war had begun.<sup>6</sup> Free labor was nothing more than the recognition that the liberal economic ethic was a crucial component to American values of liberty. The debates around Reconstruction were the extent to which a propertyless class would be able to achieve any degree of equality and social integration. The ideology of the Radical Republicans—a civic ideology which encompassed thinkers and politicians such as Thaddeus Stevens, Horace Greely, Charles Sumner and E. L. Godkin, among others—was primarily focused on the issue of civic and political equality for freed black slaves rather than on economic issues. It was standard ideology to distinguish between the natural and political rights that had been denied blacks on the one hand and the social and economic rights which were defined simply as the right to labor like any other man and own the fruits of that labor.<sup>7</sup> Their interests in economic equality were defined by their faith in the liberal economic ethic: namely, that reward would come from the effort and labor of individuals and that equality could be nothing more than the equality of opportunity.

Blacks therefore had to be guaranteed their political rights in order to be integrated into American society and it was presumed that this was the limit of what government would and could do in order to promote equality between blacks and whites. But economic equality was not something that was advocated by Radical Republicans and their vision of Reconstruction. The project of Reconstruction, as it was broadly conceived at the time by the most radical in Washington, therefore had little to do with economic change but was wedded to the liberal economic ethic and what they saw as its liberating impulse. The Radical Republicans therefore saw that through guaranteeing

equality of opportunity in the spheres of politics and the economy that their role for racial equality would be complete. Aside from fringe calls for the redistribution of Southern property—Thaddeus Stevens advocated the seizure of plantation lands and turn them into homesteads—the issue of redistribution and economic equality was a non-issue.<sup>8</sup>

Black writers and thinkers, however, did look into the issue of economics and the essential link between economic power and equality. The idea of economic empowerment became a crucial staple of black political thought during the early years of Reconstruction in the sense that without economic power—by which was meant the economic development of black communities with some degree of parity with their white neighbors—blacks would continue to be at the whim of white economic institutions. There were no illusions that civil and political equality could be of any substantive value without economic parity with whites. Alexander Crummell—rector of St. Luke's Episcopal Church in Washington—was one of the first Black thinkers to advocate the construction of black economic communities in order to become a force in American society. Without economic power, blacks could look forward not only toward a continued dependence on whites and a recreation of similar conditions that they had suffered as slaves. This would become a major theme in black political and social thought throughout the late nineteenth- and early twentieth-centuries. Booker T. Washington's emphasis on the development of skilled labor and thrift were meant as a means for the accumulation of capital and development of black communities. For Crummel and Washington—despite their differences—equality was seen as requiring an economic dimension. Political and civil rights were one thing, but the reality of the

situation was that without some degree of economic parity with white society, political and civil rights would be, at best, a mere pleasantry.

In Washington, as well as in Crummel before him, was the acknowledgment that the economic empowerment of black communities was an essential first step in achieving and securing political and social rights and power. Although Du Bois would chastise Washington for his “submission and silence as to civil and political rights,”<sup>9</sup> the reality was that he never accepted any form of restriction on black political or civil rights and that his advocacy for economic empowerment, thrift and industrial education was primarily an argument that linked the reality of economic power with that of political and social power and equality.<sup>10</sup> Crummel and Washington saw that the need for economic development—through the growth of capital in the hands of blacks—would be the only way to achieve social integration and guarantee that there would be no dependence upon the white community. For Washington, the emphasis on economic empowerment and development mean that relations with the white South had to be maintained; it meant that there had to be some degree of accommodation and cooperation with the leadership in the white South.

But as the project of Reconstruction went into crisis and terminal decline, many black intellectuals who had supported Washington’s program for black empowerment—which was linked with a conciliation with the white South—became critical of Washington’s program. Du Bois, who had been a supporter of the Washington’s Tuskegee position, began in the early years of the twentieth-century to advocate protest and a break with the policy of accommodation and conciliation with the white South. In place of the ideas of economic empowerment, Du Bois began to articulate a political-

cultural critique of the Tuskegee position which pushed for a focus on civil and political rights and the development of a black cultural-intellectual elite. The move away from the issues of economic empowerment would not return until the 1920s when Du Bois began to look toward socialism as a possible alternative for black liberation. Indeed, Du Bois's concern with politics and civil rights was—in the face of increased Southern violence and the quashing of equal opportunity for blacks in white society that became ever more real with the emergence of Jim Crow—understandable. But it can perhaps be argued that the move away from economic issues may have been a fatal error. Indeed, the concern for the consequences of the economic disparities that severely affected the political and social life of black communities would again reemerge in the black radicalism of the 1960s.<sup>11</sup>

What black intellectuals and activists—as well as their white allies in Washington and elsewhere—sought was, therefore, an equality of opportunity rather than equality of conditions. But this should be seen within the ideological context of the time. Blacks at the time of Reconstruction until the beginnings of the twentieth-century were—not unlike the radical critics of inequality during the antebellum period—concerned with the struggle for equality of opportunity. Although it would later be seen that propertied interests had destroyed many progressive aspects of Reconstruction in the South taking away even the possibility for equal economic opportunity for blacks—what Du Bois would later call in the 1930s the “counter-revolution of property”<sup>12</sup>—during the Reconstruction era, an explicit discussion of economic inequality took a tertiary role to issues of equality of opportunity guaranteed through equal political and civil rights. But the post-Civil War period would also see the recurrence of the theme of economic

inequality in America's critical political and social discourse. It was quickly becoming evident that the laissez faire industrial economy that was expanding rapidly after the War had ended was leading America to economic, political and moral crisis.

### **The Moral Attack on Inequality and Capitalism**

The central premise of the labor radicals arguing against the effects of economic modernity during the decades preceding the Civil War was that the emerging realities of capitalism were a direct threat to the kind of economic individualism and autonomy that characterized small-scale economic production and exchange. For those early radicals like Langton Byllesby and Thomas Skidmore, among the many others, the threat that economic inequality posed was one that would see the destruction of democracy itself. The ideas of republican virtue that had idealistically characterized the thought of Adams and Jefferson and many others of the Revolutionary generation were being squandered and it was only by fighting against the effects of economic divisions that any semblance of democracy and liberty be preserved.

In addition, they saw the liberal economic ethic as being not only compatible with those republican political virtues, but necessary for their realization. Many of the next generation of reformers, radicals and social and economic critics that criticized the economic polarization of the nation would stick to a notion of liberal individualism, but instead place it within the context of an already transformed culture of economic life and phase of institutional development. The earlier radical critics emphasized that equality of opportunity and equality of condition were essentially the same since opportunity meant the ability to produce your own goods (such as in agriculture) or sell your own labor time

as an independent laborer and not a wage-earner. Wage slavery was tantamount to economic inequality and the disruption of the kind of cohesive society where wealth and income were distributed by talent, skill and effort.

Not unlike the previous generation of labor radicals, many critics of inequality of the industrial age saw firm economic foundations for the generation and perpetuation of economic divisions. For some, progress itself was the cause of inevitable immiserization. Henry George saw that as both technology and productivity increased, the value of land would also increase. As rent rose, it necessarily pushed down wages since industrialists needed to pay for higher rents out of what they paid to labor: “with increase in productive power, rent tends to even greater increase, thus producing a constant tendency to the forcing down of wages.”<sup>13</sup> Inequality was therefore tied to the economic foundation of modernity. It was not simply a matter of preventing the amassing of wealth through corrupt means. The new economy, the new industrial civilization that was being forged, would be seal the fate of millions. Poverty and progress were inextricably linked.

George’s critique of inequality was in the spirit of the antebellum labor radicals. Indeed, for George political rights were meaningless without economic rights; and economic rights still meant that each individual have rightful access to an equal share of land. By leveling a single tax on rents, George argued that, over time, monopoly could be broken down and there would be a return to an economy based on individual effort and skill. There would therefore not be an absolute equality, but, rather, a rough equality that still rewarded differences in effort and skill. At the core of George’s argument remained the ideal of individual economic autonomy. In this sense, George looked back to the past; unable to see the newest phase of capitalism—its national, industrial

manifestation. He was unable to see that the old physiocratic notions of land as the source of all wealth was economically wrongheaded. But his moralism was a critique of monopoly and the exclusion of economic autonomy and individualism. Equal political rights are meaningless without economic equality—i.e., equality of land—since it was the only source of individual wealth. After quoting Jefferson’s line from the Declaration that “all men are created equal,” George insists:

These rights are denied when the equal right to land—on which and by which men alone can live—is denied. Equality of political rights will not compensate for the denial of the equal right to the bounty of nature. Political liberty, when the equal right to land is denied, becomes, as population increases and invention goes on, merely the liberty to compete for employment at starvation wages. This is the truth that we have ignored.<sup>14</sup>

This “central truth,” as George referred to it, was to restore an economy and society based on “natural opportunities” and this meant that the basis of equality was still one grounded in assumptions from America’s economic past.<sup>15</sup> The problem with the various theories of equality that were put forth by so many reformers of the period was not that they failed to recognize the barbarism of the new economy; rather, it was that far too few of them possessed a broader understanding of the economic reality of their time. Many, such as George himself, were unable to think outside of the economic context and ideas that had defined the early American republic.

The moral revulsion against capitalism’s deepening effects did not lessen as the nineteenth-century moved on. Socialist ideas became increasingly prominent—something that George was decidedly against—and they injected the idea that individualism and inequality were somehow connected. The problem with what Marx termed “universal egoism” was that it would not only lead to deeper social divisions other

than at the level of class, but that this social atomization would inevitably reproduce the same problems that were being faced under the conditions of modern capitalism. George wanted to preserve individualism and promote “association” by which he meant an association of equals—equal in the sense that all had an equal opportunity to work on land from which they could derive the fruit of their labor. George’s idea was that there was an “equal right to the elements of nature,” and since nature, or land, was the only source of wealth, its redistribution was essential to alleviating the ills of inequality. Discouraging the massive accumulation of property was at the heart of George’s policy alternative and his “single tax” movement. The problem was not with the capitalists, it was with the way that monopoly squeezed out all opportunities for honest individual labor and thereby shattered any hope for equality.

But the socialists did not see it this way, especially the German socialists who were writing in defense of socialist ideas in America. For them, the problem was with monopoly, but monopoly was inextricably tied to capitalism and to egoism. Three years before George published *Progress and Poverty*, Friedrich Sorge wrote his “Socialism and the Worker,” his only published piece in English. There he asked “if you are a capitalist yourself, reflect how much nobler it is to help promote the welfare of the many than to serve only your own interest, ugly and hideous Egoism.”<sup>16</sup> The moral critique of inequality was being traced down to the very ethical fabric of a market-based society.

Johann Most attempted a more anthropological analysis. What he identified as the “beast of property” was any “man in connection with wealth,” who, still unsatiated after accumulating beyond his needs, desired little more than the expansion of his greed. These “beasts of property” were at the core of capitalism, and capitalism was the source

of monopoly, the one great threat to human liberty: “In America the place of the monarchs is filled by the monopolists. Should monopolism in the alleged free United States of America develop at the rate it has in the last quarter of a century, only daylight and air will remain free of monopolization.”<sup>17</sup> In Marxian style, Most made clear that inequality was not a transitory condition of economic development; it was, rather, the essence of capitalist exploitation and a permanent feature of the evolving economic system. The immiseration of working people could therefore only be expected to get worse—inequality was not the problem in and of itself, it was the symptom of a greater illness: of capitalism, exploitation, atomization, egoism, barbarism.

But early socialists like Most and Sorge premised their critiques on alternatives that were highly utopian to say the least. They were premised on the idea of a complete transformation of the economic life of nineteenth-century America: a massive, egalitarian redistribution of property and the common ownership of property. Whereas George saw that the solution to the injustice of modern economic inequality was a matter of returning to the economic life of the past—of independent producers associating under conditions of equality—Sorge saw the emergence of associations and an emphasis on the common interests of society over “Egoism” as the key to overcoming capitalism. Most argued the same by promoting a war of workers against capitalists and the establishment of a “network of federations” of autonomous and independent communes. Lacking concrete institutional referents, the socialists had little to use in their appeal to those outside of the German immigrant working community. George’s economic ideas looked back to the ideology of economic liberalism and economic autonomy and independence and therefore had some possibility of resonating with American working people. George did

not reject capitalism and he did not have a problem with free trade, his aim was to restore equality of opportunity which itself ultimately sprang from free labor and a single tax that would serve as a permanent barrier to the monopolization of land.

But this, in many ways, was the problem with the critique from the beginning. It is true that the German socialists saw capitalism as a more complete and total social, cultural and economic system, but they were unable to pose alternatives outside of a crude collectivism. The socialists rejected capitalism without having a realistic institutional alternative and their rejection of capitalism was still, in essence, a *moral* critique of capitalism. Unlike Marx's more scientific examination of capitalism and the argument that it would essentially break down under its own internal economic strains and contradictions (such as the law of the falling rate of profit), American socialists were not keen on perfecting Marx's political economy, but rather in translating some of his insights into possibilities for immediate action and in extrapolating them for utopian ends. For his part, George was unable to see—through his highly flawed political economy—that inequality was not caused simply by the monopolization of land, but by the very dynamics of capital and its need to constantly agglomerate more of itself at the expense of labor. George was unaware of the inequalities that arose from the labor process under capitalism and remained under the trance of an outdated and out-moded Physiocratic doctrine even though his critique was essentially grounded in a moral antipathy to inequality and social divisions.

The socialists differed from reformers like George, as well as others like Edward Bellamy and Henry Demarest Lloyd, in the sense that they espoused an absolute equality of property, which the reformers thought was not desirable let alone possible. For

George and Lloyd, the central idea was still to have some form of rough differentiation between individuals based on “natural inequalities.” Property would still correspond to natural inequalities of ability, but the assumption was that this would not lead to great differences; and after all, the point of critique for these reformers was the problem of monopoly, not capitalism or competition. True, they all shared a moral aversion to the decline of economic autonomy, of equality writ large, seeing the agglomeration of capital as the primary force destroying equality and freedom. But ultimately their calls for equality were based on the idea that the emerging divisions of society were out of tune with American political and moral ideals. This was an important period in American social and political thought since all three were, in one sense, attempting to come to terms with economic modernity using what they felt were fundamental American ideas about economy and society.

Industrial capitalism was transforming America into a gluttonous society where political economy was now the source of wealth but more importantly the result of the abuse of liberty. “Liberty produces wealth, and wealth destroys liberty,” wrote Henry Demarest Lloyd in his *Wealth against Commonwealth*. The inequalities that plagued America and which were at the core of what was, by the time of the 1880s being called the “social problem,” was not a result of capitalism itself, but rather its excesses: “Our bignesses—cities, factories, monopolies, fortunes—are the obesities of an age gluttonous beyond its powers of digestion.”<sup>18</sup> For Lloyd, the “corporate Caesars” were nothing more than the ruinors of civilization. Inequality in wealth was, at its core, the inevitable result of what Lloyd referred to as the anarchy of self-interest. Wealth was destroying the republican virtue upon which the idea of commonwealth had always rested. Lloyd’s

critique of monopoly and inequality did not lead him to advocate the destruction of capitalism, but rather to a call to overcome the self-interest that was opposed to the general welfare and, more pragmatically, for the transfer of private monopolies over to state ownership. Lloyd's ideas were republican in nature: he insisted that citizenship be based on what amounted essentially to Aristotelian moral and political categories, i.e., that the individual realize that he is part of the social whole and that self-interest should be in harmony with the interests of the political community.

The true *laissez-faire* is; [sic] let the individual do what the individual can do best, and let the community do what the community can do best. The *laissez-faire* of social self-interest, if true, cannot conflict with the individual self-interest, if true, but it must outrank it always. What we have called "free competition" has not been free, only freer than what went before. The free is still to come. The pressure we feel is notice to prepare for it. Civilization—the process of making men citizens in their relation to each other, by exacting of each that he give to all that which he receives from all—has reached only those forms of common effort which, because most general and most vital, first demanded its harmonizing touch.<sup>19</sup>

Only through the reconstruction of a social ethic based on a harmonization of self-interest with the public interest could the principles of commonwealth overcome the forces of wealth. But Lloyd too was unable to prescribe concrete, institutional alternatives. His ideas railed against monopoly and the unequal distributions of power, wealth and resources that monopolistic capitalism created, but he was essentially unable to translate these critiques into concrete institutional alternatives—moral revulsion was considerably simpler than political practice. Aside from his idea for state ownership of all large industrial combinations, he was unable to peer into the complexities of economics and institutional building. His moral vision lacked the material basis for any kind of viable political translation.

Outside of the more pragmatic politics of the emerging labor movement for organization and expanded rights for labor, the politics of inequality was still largely imbued by moral rhetoric, but it did not lack intellectual substance. Each of the thinkers saw economic equality—or some rough approximation of it—as being the material manifestation of political democracy and political equality. Nonetheless, their lack of social scientific expertise worked against them. Henry George’s economic theories were easily countered, and during a debate with the great English economist Alfred Marshall—the founder of modern equilibrium economics—at Oxford, he was decidedly defeated and his ideas discredited in a public setting. George’s significance was in his moral revulsion against inequality; he, like Lloyd, wanted to show that monopoly capitalism and democracy were essentially incompatible and that it was a phenomenon that went heavily against the grain of American democratic principles. Since economic life had always been tied to American political ideals and values of liberty and equality, the disappearance of economic equality meant the imbalance of justice and liberty. The idea of the individual was not a problem for Lloyd, George or for Edward Bellamy, unlike the German socialists. They sought reform—albeit radical reform—rather than radical upheaval and utopian schemes. Radical reform, however, consisted for them, at its base, of the moral regeneration of society; in a return to the political ethics that were grounded in what they saw as the foundational principles of American republican civilization. The individual was not a problem, but individual self-interest had to be checked by social interests. Inequality was the result of self-interest unhinged from the moral moorings of political society and all of society was being affected. It was a descent into anarchy.

The success of Edward Bellamy's novel *Looking Backward* was a testament to this moral appeal against the economic complexities of division and depression that plagued the late nineteenth-century. On the surface, Bellamy's novel is one that exploits the well-wrought literary device of utopia—as opposed to the actual call for utopian social arrangements—to cast a critical glance on American industrial society from the vantage point of the year 2000.<sup>20</sup> Its central character, Julian West, wakes up in Boston in the year 2000 after having been in a trance for over a century. But at another level, it is a tale of moral growth and discovery. The America of the twenty first-century has overcome the problems of class conflict, social atomization and poverty and West's transition to life in the twentieth-century is a tale of moral reinvention as he absorbs and learns to situate himself in a futuristic society characterized by abundance, equality and peace. Social change of this magnitude could only be effected by what Bellamy termed—in an essay of the same name—the “religion of solidarity” which in Bellamy's novel and other writings becomes “nationalism.” Inequality was the expression of a deeper cancer pulsing within American culture and society. Economics was not the problem, it was the motives of individuals in a society that was becoming increasingly fragmented, atomized and unequal. Moral degradation—defined politically as the move away from social integration and toward social atomization, the fetish of individualism and selfishness—was the cause of material inequality and the decline of America's republican experiment. Inequality was the ultimate social ill because of its manifold consequences, from human suffering to political imbalances of power. The economic ethic of liberal individualism would therefore need to be called into question.<sup>21</sup>

Even as George looked back to a kind of agrarian socialism based on individual labor and Lloyd's critique of monopolies and industrialism and his call for a return of commonwealth smacked of anti-modernism, Bellamy saw, not unlike Marx, that the emerging industrial order would usher in a new era of human happiness and prosperity. The new American Jerusalem would be built on the foundations of machinery and technology, and equality and solidarity would be the very stuff of its moral collective consciousness. The key was the elimination of narrow self-interest and the cultivation of unselfishness. Bellamy saw the individual as being comprised of a "personal" and an "impersonal" self. The former was driven by narrow self-interest, by greed and the dictates of possessive individualism. When suffused by this ethic, society would drift toward inequality and fragmentation and would produce individuals who had regressed to their most base, animalistic appetites. Bellamy's ideas had a distinctively Hegelian cast, arguing that a class of social engineers, the bureaucracy, would be responsible for mass economic planning and the maintenance of society economically and technologically.<sup>22</sup>

The impersonal self would tend toward solidarity, toward social brotherhood. It meant the elimination of selfishness and a moral consciousness to serve the social whole of which each individual was an integral part. Inequality was not a result of the institutions of the day, of capital or of land-rent prices. It was, rather, the result of the drastic erosion of solidarity, wholeness and social responsibility, of the turn to self-interest and the neglect of social cohesion and attention to collective welfare. Bellamy has Doctor Leete—Julian West's guide through the year 2000—say: "Now that industry, of whatever sort, is no longer self-service, but service of the nation, patriotism, passion for humanity, impel the worker as in your day they did the soldier."<sup>23</sup> The transcendence

of narrow egoism and possessive individualism would therefore effect a redirection of political, social and economic life. It would enable society, as a whole, to see that what was in the best interest for all was also in the best interest of each. Economic life would shift from the drive toward personal accumulation and move toward the common good. Doctor Leete explains how this social ethic was able to redirect the economic life of industrial America:

Early in the last [twentieth] century the evolution was completed by the final consolidation of the entire capital of the nation. The industry and commerce of the country, ceasing to be conducted by a set of irresponsible corporations and syndicates of private persons at their caprice and for their profit, were entrusted to a single syndicate representing the people, to be conducted in the common interest for the common profit. The nation, that is to say, organized as the one great business corporation in which all other corporations were absorbed; it became the one capitalist in the place of all other capitalists, the sole employer, the final monopoly in which all previous and lesser monopolies were swallowed up, a monopoly in the profits and economies of which all citizens shared.<sup>24</sup>

The nationalization of production and distribution therefore harnessed the full potential of modern industry and the concern for the collective whole would create a “Republic of the Golden Rule.” But none of it would happen naturally, the yearning for equality would begin to promote the needed moral transformation which would result in the system’s collapse. As Edith Leete, Julian’s lover and the Doctor’s daughter, says recounting late nineteenth-century history from the vantage point of the twenty first in Bellamy’s less successful literary sequel, *Equality* published in 1897, “the American people began to be deeply and widely stirred with aspirations for an equal order such as we enjoy. . . very soon the political movement arose which, after various mutations, resulted early in the twentieth century in overthrowing the old system and setting up the

present one.”<sup>25</sup> Social struggle was an integral part of the move toward social equality, progress and the birth of a new American civilization.

The abstractness of Bellamy’s prescriptions for social change caused problems when it came to translating them into practice. On the whole, the moral critique of inequality was probably correct: the maturation of capitalism and the intensification of modernity was causing massive social fragmentation. But the various moral critics were unable to link their ideas with organized political movements. What the moral critics of inequality shared was the political ideal of an integrated political and social community that would be unspoiled by the excesses of industrial capitalism. Each in their own way sought to overcome the social fragmentation that economic modernity and economic inequality fostered and they, like their socialist counterparts, believed that inequality was the means by which they could draw attention to the problems of capitalism and modernity as a whole. Their utopian schemes were extensions of their political interpretation of American republicanism, something that was being eroded by the advance of capitalism and the corrosive effects of *laissez faire* individualism. With the move from small economic communities to industrial behemoths and dense urban centers, the sociological shift from *Gemeinschaft* to *Gesellschaft*, and the slide of the American economic ethic from individual labor and production to possessive individualism, these moral critics of inequality were the last gasp of the older moralistic republican ideology of political integration in the face of a divided America and the modernizing transformation of American capitalism.

The Omaha declaration of 1896 had considerably more pragmatic policy proposals than the regeneration of moral life and its reformation. Although thoroughly

populist in nature, it saw its political origins in the older republican notions of common middle class farmers and small producers not unlike those that the earlier generation of radicals sought to protect from the implications of a developing capitalism. In their addition to the Omaha Platform originally laid out in 1892, the National Farmers Alliance sought as their primary goal “to restore and preserve these rights under a republican form of government, private monopoly of public necessities for speculative purposes, whether of the means of production, distribution, or exchange, should be prohibited.”<sup>26</sup> The theme of republican government was therefore wedded to the liberal economic ethic in the sense that individual labor was to be given primacy at the expense of combines and corporations. But this populist strain was not surprising since the economic interests of the agrarian sector had always been opposed to that of capital.

What the reformers and socialists all shared was the critique of inequality and the yearning to move back from the eroding social bonds that were, for some, its cause and for others the effect of industrial capitalism. They were outside of the mainstream. More common was the kind of laissez faire liberalism of people like E. L. Godkin. The essential premise was that individualism was the base of American society and that equality—what they termed an “equality of rights”—was the only kind of equality that was acceptable. Extending equality into that of condition was tantamount to the destruction of individualism through the promotion of collectivism. Laissez-faire liberalism was critical of tariffs and any other special privileges that the government bestowed on corporations; but they were equally critical of the idea of economic equality since it would, in Godkin’s view, “prove fatal to art, to science, to literature, and to law.” The fear of equality as flattening out human distinctions, quashing creativity and

annihilating individualism would go on the offensive during this period. The maturation of the counter-discourse legitimating economic inequality was about to take place.

### **Legitimizing Inequality**

The moral critique of capitalism and inequality was accompanied by a raging war between capital and labor, as Mathew Carey would refer to it in the early 1870s. Rutherford B. Hayes deployed the army to crush the Baltimore and Ohio Railroad strikes, an inter-state manifestation of the growing “labor question,” and the Haymarket Riot in Chicago became world news—all were interpreted by the moral critics of the age as symbols of American decline. The corporate transformation of American capitalism had its apologists as well as its critics. It is probably more correct to say that they were apologists for a certain definition of liberty, or at least of a configuration of liberty and economic inequality. The legitimation of inequality would become, from this point forward, a distinct tradition in American political thought with deep ramifications for the present and it did this by linking the economic realities that were unfolding around them with what they interpreted the liberal economic ethic to mean. It was not a return to aristocracy and medievalism that they sought; rather, it was the understanding that inequality was not anathema to human liberty—as the previous generation of radicals had insisted—but rather its ultimate realization. The connection of liberty and economic inequality was therefore tied to the political sphere since it would now become necessary for the state, by and large, to refrain from interference with all economic activity.

More than in the antebellum period, the late nineteenth-century saw the emergence of a tradition in social theory and political thought that would buttress

arguments for economic inequality to the present. Although it is certainly correct to characterize this school broadly as social Darwinist, as Richard Hofstadter did, it is more important to see these ideas in the broader context of American political thought and the implication of their ideas for the further development of American political thought.<sup>27</sup> Not unlike Alexander Hamilton and John C. Calhoun, these thinkers—ranging from William Graham Sumner to Andrew Carnegie—represent the maturation of an explicitly anti-democratic tradition in American social and political thought. That the rise of these ideas and their purveyors was tied to the nuances of the new economic realities of capitalism should come as little surprise.

The political dynamic of the new social theories that were coming to terms with the progress of industrial civilization fit into the broader trans-Atlantic revulsion at what were seen as bourgeois notions of democracy and equality. But in America these ideas took on a very specific economic and social flavor. Criticism of equality was, in many ways, inherent in the doctrine of classical liberalism from the start since it was based on a political order that protected individualism and a moral one that was skeptical of collectivism of all kinds, including that of the state. In Europe, equality would be the rallying cry for the burgeoning socialist movements, but for every Marx there was a Nietzsche.

America, too, had its struggle with the question of equality and its relationship to democracy and human progress. But Americans, of course, had a cruder, more brutal tradition upon which the discourse of social inequality could be framed. Decades of debate and thinking about slavery had convinced enough thinkers that any kind of absolute equality was anathema to nature itself.<sup>28</sup> Hamilton's ideas about the necessity of

economic inequality—that it was the essential counterpart to economic development—was not something that many political economists looked upon with admiration. But Hamilton’s ideas were still in tune with a predominant understanding of liberal thought of the eighteenth-century: that the difference between “natural” and “political” equality needed to be delineated. Equality before the law was—when it came to white, property-holding men—taken as a given. But the idea of translating that into the physical and material world—i.e., the world of individual effort, skill, talent and property respectively—was largely condemned as leveling and, in the end, utopian and destructive.

Indeed, although Calhoun’s ideas were primarily aimed at the debate over slavery and the protection of that institution in the South, they also touched upon a much broader notion of the danger of economic equality, or the equality of condition. More than a defender of slavery, he was also a deeper critic of American democracy and the idea of equality itself. He was keenly aware of the changing nature of the American economy and saw that the future of the nation would no doubt see the exhaustion of slavery as an economic order. It was therefore inequality as such with which Calhoun was concerned. Conceding that the essence of popular government was an “equality of citizens, in the eyes of the law,” to move beyond this into the equality of condition would undoubtedly “destroy both liberty and progress.” Inequality in condition—i.e., in material terms and economic welfare—was rooted in a kind of natural equality between individuals. Going against this natural inequality would therefore interfere with the realization of liberty:

Now, as individuals differ greatly from each other, in intelligence, sagacity, energy, perseverance, skill, habits of industry and economy, physical power, position and opportunity—the necessary effect of leaving all free to exert themselves to better their conditions, must

be a corresponding inequality . . . The only means by which this result can be prevented are, either to impose such restrictions on the exertions of those who may possess [ability] in a high degree, as will place them on a level with those who do not; or to deprive them of the fruits of their exertions. But to impose such restrictions on them would be destructive of liberty—while to deprive them of the fruits of their exertions, would be to destroy the desire of bettering their condition . . . and effectually arrest the march of progress.<sup>29</sup>

Calhoun knew that inequality would persist even after the present system of agriculture and slavery had been abandoned by the marching advance of the economic system. The coming industrial order that he saw from the vantage point of the late 1830s was one that pitted capitalists and “operatives,” or laborers, against one another. This was not to be seen as unnatural; it was the result of progress, and it was the firm basis of civilization arguing that there would be a “contest between the capitalist and the operatives; for into these two classes it must, ultimately, divide society.”<sup>30</sup> Calhoun’s ideas may not have been hegemonic at the time, but they evidence an interesting, and oddly persistent, intellectual linkage between economic or material inequality—grounded in natural distinctions of individual skills and talents—and political liberty. This view would become an ingrained perspective justifying inequalities in American social and political thought up through the present. Ideas in the post-Civil War era about inequality were not so much the intentional development of the older ideas like those of Hamilton and Calhoun; they were, instead, the theoretical articulation of the anti-egalitarian impulse that was always indigenous to American thought.

With the rise of industry and the massive social stratification that accompanied it, a new generation of thinkers would deepen this inegalitarian tradition. The great industrialists of the day would see their efforts as entitlements. Inequality could be justified in the name of progress, in the name of development, modernization. Jay

Gould's famous phrase "*We* have made the country rich, *we* have developed the country" was hardly mere rhetoric. It captured the way that those who wanted to defend and justify the newly stratified society would think. As the moral critics like Bellamy and Lloyd knew all too well, industrial capitalism was an assault not only on the doctrine of equality, but on civilization itself. For the apologists of this new social order, it would be a matter not only of protecting their newly found interests in intellectual terms, but also—for those who did not have specific capitalist interests—a matter of reconciling economic modernity with notions of progress and prosperity. Capitalism may have begun to exhibit its true face, but it was through the same classic categories of individual effort and economic individualism that these apologists would cast their arguments. Hence, the idea of economic liberalism could be seen to cut both ways—it was now becoming a matter of interpretation rather than a contest between civilization and barbarism.

The ethical and social theories of William Graham Sumner would attain a high degree of intellectual influence in the late nineteenth- and early twentieth-centuries and they would come to legitimize economic divisions through a thoroughly developed sociological and moral system. Sumner's writings were not intended as an explicit apologia for the new industrialized aristocracy, but they were the most coherent and most influential theoretical and moral notions about social divisions and inequality up until that time. Whereas political economists like Henry Carey had seen optimism in the development of the American economy through what he saw as its inevitable ability to create inequality between various classes and hence a "harmony of interests," Sumner reversed this notion. He saw economy, polity and society as grounded in the forces of nature that Darwin had theorized and which prominent thinkers like Herbert Spencer had

transferred over to society but also as the product of social mores and customs that had set in over time. It was clear that Sumner's conservatism would prove a powerful defense of inequality and social division the resonance of which would not be lost on contemporary conservative thinkers in America. He would succeed in privileging the category of liberty over that of equality and show that American society—its economy, legal system and its polity—was, without the meddling interference of the “social doctors,” his term for civil servants, the ideal political and legal system to realize human liberty.

Sumner's aim was to strip moral and “sentimental” impulses from social analysis and to show that the status quo of American society—and here he specifically meant to focus on the class inequalities of his day—was the best suited for the realization of human liberty. Reversing George's dictum that progress and poverty were two sides of the coin of economic development, Sumner also wanted to claim that the interference with the activity of capital was in fact the cause of social misery and poverty, not the reverse. Society as a whole progressed and increased its standard of living as capital was freed to unfold and operate according to its own logic and the logic of its owners. It was only when the economy was allowed to work freely that liberty could be realized since liberty was conceived as a set of laws and institutions which “create great organs of civil life which can eliminate, as far as possible, arbitrary and personal elements from the adjustment of interests and the definition of rights.”<sup>31</sup> For Sumner, liberty was to be emphasized over democracy; the former was a greater value than the latter since it accorded with the rational distribution of the fruits of labor, talent and skill. To assume equality among individuals was sheer nonsense. Just as Jeremy Bentham had mocked the

idea of Natural Law theory in the eighteenth-century by calling it “metaphysics on stilts,” Sumner was equally critical of Natural Law doctrines preferring a positivist interpretation of political and legal categories.

At the heart of Sumner’s economic and social theory was the notion that interests were grounded in innate human needs such as hunger, love, vanity and fear.<sup>32</sup> This provided him with a naturalistic basis for economic motives which were matched by innate differences in skill, talent, drive and intelligence. But also there was the economic idea that the nature of society and politics was governed by the relationship between population and available land. With a low population and abundance of available land, society and government would be less competitive and less savage; the opposite ratio would necessitate intense competition, “earth hunger arises, races of men move across the face of the world, militarism and imperialism flourish, conflict rages—and in government, aristocracy dominates.”<sup>33</sup> Inequality was therefore the direct outgrowth of this “natural” Malthusian-Ricardian economic framework: only the most fit would survive the social competition for existence. The fortunate by-product of this was that competition would result in social progress since it would allow the creative and talented to mobilize their skills and abilities which, in the end, benefit everyone.

Sumner’s ideas were therefore not simply a justification of capitalism, nor was he trying to align the new industrial order with what were seen as American political principles. Instead, Sumner wanted to show that the moral pleasantries of equality were a sentimentalism of the past. The scientific understanding of man’s nature and of modern society made it clear that economic inequality was not only necessary, but that interfering with it was essentially an intrusion into liberty itself. The justification for inequality was

therefore one that had remarkable affinities with the ideas of Calhoun and other critics of the doctrine of equality on the basis that equality and liberty were not—as Tocqueville had believed—compatible. Modern industrial capitalism therefore required economic inequality, there could be no separation of the two. Hence, a rejection of the reality of economic inequality was not only a lapse into pre-scientific sentimentalism, it was also a rejection of modernity as well.

Some have said that Mr. Stewart made his fortune out of those who worked for him or with him. But would those persons have been able to come together, organize themselves, and earn without him? Not at all. They would have been comparatively helpless. He and they together formed a great system of factories, stores, transportation, under his guidance and judgment. It was for the benefit of all; but he contributed to it what no one else was able to contribute—the one guiding mind which made the whole thing possible.<sup>34</sup>

Sumner's ideas about competition and social progress set the stage for the theories of economic inequality. Although they were to fall out of fashion during the Progressive era, Sumner still was able to place the inequalities generated by capitalism in a quasi-scientific framework. His ideas rested on the simple dictum that “persons who possess the necessary qualifications obtain great rewards”;<sup>35</sup> the legitimization of social stratification was a simple extension of the liberal economic ethic, depoliticized and transplanted into the context of industrial capitalism.

Even though, ultimately, the discourse that legitimized economic inequality was not powerful enough to hold back the massive strains that the system was causing, it provided an important conservative justification for the excesses of capitalism by wedding an anti-egalitarian theory with the doctrine of personal liberty and political freedom. Before libertarians would attack the state for its redistributive mechanisms,

Sumner was able to ground a thoroughly modern critique of economic egalitarianism, one that still preserved political equality by splitting off the economic and political spheres from one another. No longer was it possible to see the relationship between economy and society as it had been interpreted in the post-revolutionary era. Indeed, the crucial transformation of the liberal doctrine during this period reflected the emerging differentiation between economy, polity and society. Economic liberalism had always been the backbone of the theories of social justice and equality since in the presence of a pre-capitalist market society devoid of political influence, nepotism and privilege it was the only way to critique the kind of encrusted power relationships that were characteristic of pre-liberal society. But now that the economic context had transformed, the liberal economic ethic was being fused to a new set of social and economic goals and economic inequality could be justified using the same liberal categories of individual labor, skill and the right to property.

Sumner's ideas—as influential as they were—were only an aspect of the way that laissez faire doctrine was adopted. Sumner's ideas were explicitly anti-egalitarian, but the doctrine of laissez faire became a serious issue in the late nineteenth-century in America as well as England. Spencer's *The Man Versus the State*, published in 1884, laid out the firm argument that state intervention was opposed to liberal individualism. State interference was inherently opposed to the idea of liberty; the state stood for coercion and any extension of the state's role beyond that of enforcing contract—what Spencer referred to as “anarchy plus the constable”—amounted to the erosion of liberty in economic affairs and, in the American interpretation of things, the elimination of freedom itself. This apologia for capital and laissez faire therefore exploited a narrow

interpretation of American political categories and transformed Hobbes and Locke from liberal thinkers at the roots of American democratic institutions to radical libertarians. It was an ideology that would rise again, with even greater power, one century later.

In this way what thinkers like Sumner, and even Calhoun before him, privileged was not simply the interest of one particular class over another; this is far too simplistic. What they were able to achieve was the purging of ethical and moral categories from social theory and analysis. They were able to reinterpret liberty and the entire American brand of liberalism itself as a radical individualism that was—when framed in the context of a capitalist economic framework—conducive to progress. It was not an ideology that embraced the past, a conservative ideology that sought to prevent progress and modernity. Sumner and others who followed his ideas were different from George, Lloyd and even Bellamy in the sense that moral categories were seen as obstructing social progress. Although Carnegie would see the tragedy of the dark side of capitalism, for Sumner there was a natural order that was evidenced not by some static ordering of classes but, rather, in the free dynamic fluidity of society which meant that the state needed to refrain from concretizing ethical impulses into state intervention. Unlike older conservatives who saw that equality was a threat to a social order of privilege, Sumner and Calhoun saw that the “natural” workings of the economy and of social progress worked best when moral entanglements were effectively removed. Politics was therefore reduced to its most base Hobbesian elements: freedom was a freedom of contract and safety from a return to the state of nature.

Legitimizing inequality ideologically went hand in hand with the structural realities of late nineteenth-century economic life. The ability of working people to

organize and make effective demands not only for higher wages but other improvements in their working life was also contested by what Sanford Jacoby has referred to as the “exceptionally high degree of employer hostility” which was present in the American economy from the late nineteenth-century through the turn of the century.<sup>36</sup> What was being forged was an ideological understanding of American life which would, in time, outlive the structural imperatives of the time. In the late twentieth-century, the inegalitarian tradition in American political thought would reemerge, but it would have a very different reality to struggle against: namely, that forged by the ideology and policies of the Progressive and New Deal eras.

### **Bringing in the State: The Formation of the Liberal-Capitalist Consensus**

Whereas both the moral critique of inequality and capitalism on the one hand and its pseudo-scientific defense on the other were both unable to deal with the practical problems of a divided society, the intellectuals and policy makers of the Progressive Era were able to crystallize different ideas and moral impulses into social policy. For Progressives, the late nineteenth-century was rightly seen as having left a legacy of economic divisions and an economy that was, for all intents and purposes, out of control. By the time that Edward Bellamy had written *Looking Backward*, the economist Richard Ely—the teacher of both Woodrow Wilson and John Commons—could write, addressing the “workingmen,” that “[w]hile the majority of you reject socialism, I am certain that most of you agree with me that along certain lines the function of the state should be increased. Government cannot do everything, but it can do much.”<sup>37</sup> In essence, this sentence encapsulates the direction that the discourse on inequality took during the

Progressive era and it is one that was instrumental in forming a liberal-capitalist consensus that lasted essentially up until the late 1970s. The turn was against radicalism but toward the limiting of economic disparities through state mediation. The disasters of the nineteenth-century economy could no longer be denied and, although there would be broad disagreement among them about specific policy prescriptions, thinkers of the Progressive era would respond in order to deepen American democracy and preserve industrial capitalism.

The Progressive and New Deal eras have been the subject of much analysis and interpretation, but one theme is dominant: that the excesses of industrial capitalism and the laissez faire doctrines of the late nineteenth-century were viewed by the emerging academic and intellectual elite—not to mention the broader public—with deep suspicion. Critical of the ideas of people like Spencer and of judicial doctrines that upheld laissez faire, they began to turn to the state to provide more public goods and to question the economistic and libertarian notion of “liberty” that was being privileged. They did see what was at stake. On the one hand, they saw that the march of social, economic and technological progress was bound to lead to some degree of social stratification, this was the price of modernization. Business elites were not to be seen simply as monopolists, they were also at the same time unquestionably the engines of economic growth and keys to the progression of a modern civilization. But they were also fully cognizant of the consequences of industrialism and unrestrained capitalist growth, most importantly economic inequality. And it was in this latter realization that makes so many Progressive thinkers crucial in understanding the way that the discourse on economic inequality would change during the beginning of the twentieth-century.

Pressure had been building for some time in American over the abuses of capitalism and the ineffectualness of political life to stop its excesses and corruption. In the late nineteenth-century in both literature and journalism, the writings of the Muckrakers had broadened public attention to what were the worst aspects of American industrialism. Ida Tarbell's writings on Standard Oil, Lincoln Steffens' probing of the abuses and corruption of local politics and the novels of Upton Sinclair and Frank Norris, among others, were all central in creating a new awareness of the abuses of capitalism. Norris' *The Octopus* focused on the politics and the social effects of railroad monopolization while his *McTeague* tells the story of greed and individualism that—not unlike the moral critics of the late nineteenth-century—saw as wreaking havoc on American moral and social life. Upton Sinclair's novels such as *The Jungle*, *Oil!* and *King Coal* were instrumental in not only exposing industrial abuses and scandals, but also in nutrifying a broader trend that was emerging in American society: a critical discourse on laissez faire economic life and its political, social and moral ramifications. Their critical discourse was also being mirrored in intellectual circles, although it there it would not tend toward outright radicalism.

The transformation of American society during the first decades of the twentieth-century would therefore need to reconcile capitalism with some sense of democracy; it would need to integrate the state into economic and social life in order to mollify inequalities. Progressive intellectuals were by no means egalitarians but they did see that the excesses of laissez faire capitalism needed to be counteracted by the institution of the state. As early as 1886, the economist Richard Ely was explicit about this program:

While all the monstrous inequalities of our times can by no means be upheld by good men, while many of those inequalities, the fruit

of evil, can beget only evil, remember that nothing more disastrous to you could happen than to live in a society in which all should be equals. It is a grand thing for us that there are men with higher natures than ours, and with every advantage for the development of their faculties, that they may lead in the world's progress, and serve us as examples of what we should strive to become.<sup>38</sup>

Progressive thought saw economic inequality as a primary assault on America's democratic traditions and any possibility for a democratic future. But more importantly, they were able to see that modernity placed new demands on intellectuals and specialists and that the complex ordering of a modern, industrial society would need to be explicitly taken up. Ely was not alone in his view that the state simply had to be brought in and that inequality was an emerging moral as well as political problem. Charles Spahr's *An Essay on the Present Distribution of Wealth* of 1896 was the first major empirical study which showed the massive inequities of wealth at the end of the nineteenth-century, and it would be cited even a decade later as an empirical source describing a deeply and antagonistically divided America.

Issues about distributive justice would give way to the Progressive vision of the expanded state and to a more complex idea of the relation between the economy and the state. But the apology for laissez faire would still be able to assert itself. Christopher Tiedeman argued that the right to property protected individuals from any form of interference by the state or other organizational bodies who sought regulation or any kind of redistribution. His *Limitations of Police Power* was a defense of a kind of individualistic liberalism that Progressive thinkers would come to deride. The liberal idea of property rights would not disappear, but its influence would be considerably overshadowed by a newer idea of American democracy and an insistence that the economy had to be steered toward more democratic ends. The Progressive assault on

individualistic capitalism would ultimately culminate, in the New Deal, in a political environment sensitive to the interests of organized labor, but it would also forge a consensus between capitalists and workers with the state which would last well into the twentieth-century.<sup>39</sup> It would hold the laissez faire impulse at bay while formulating a newer conception of political and even economic rights.

Progressive thinkers began to have a dominant influence on the intellectual discourse in America beginning in the late nineteenth-century and their views would radically transform the way that economic inequality was viewed and the ways in which it would be confronted. In addition to Ely, Henry Carter Adams would attack the notion of laissez faire in his essay “The Relation of the State to Industrial Action” and Charles Cooley would put forth a distinction between caste systems and more dynamic and fluid class systems characteristic of the United States arguing that the latter provided more impetus for innovation, personal self-expression and was less likely to lead to permanent forms of social inequality. All embraced a faith in capitalism and markets, but they saw that it was an imperfect system, one that was in need of regulation and reform. These thinkers collectively would begin a reorientation of American intellectual affairs and the changed discourse they provided had a decisive impact on the way that economic inequality would be interpreted, viewed and dealt with from the standpoint of policy.<sup>40</sup> But it would also lead to a legitimization of a certain kind of social order that would prevail throughout the twentieth-century. In short, Progressive intellectuals wanted to avoid radicalism and, for that matter, egalitarianism and this was the product of their particularly moral and even religious intellectual and ethical roots.<sup>41</sup> They were aware of the dangers as well as the immorality of the way that laissez faire or individualistic

capitalism wreaked havoc on the populace and all of them saw—to a greater or lesser extent, depending on who it was—that a new understanding of democracy was needed and which they would seek to provide. They would weave an intellectual framework which would reconcile the fractious relationship between capital and labor into a new consensus and set the stage for a new conception of economy, polity and society.

Although published well after the intellectual influence of the Progressives within the academy was firmly established, Herbert Croly's highly influential book *The Promise of American Life*, published in 1909, was the pivotal text for a set of ideas that emphasized the need for reform—reform which would reestablish and renew a sense of national purpose and democratic realization, and first and foremost this meant attacking the problem of economic inequality. For Croly, the problem with inequality was simply stated and it looked back to thinkers like Adams and Jefferson and their privileging of the political over that of the economic: “The existing concentration of wealth and financial power in the hands of a few irresponsible men is the inevitable outcome of the chaotic individualism of our political and economic organization, while it is inimical to democracy, because it tends to erect political abuses and social inequalities into a system.”<sup>42</sup> For Croly, economic inequality in America was being systemically reproduced. He noted how the divisions of economic power were widening and that the ability to close the gap between rich and poor was also becoming increasingly less likely as long as those that had amassed great wealth sought nothing less than the protection of their own interests at the expense of the public. Conservatives, he argued, put forth a narrow interpretation of rights which existed solely to protect contract and did not conceive of democracy as anything outside of economic utility. Political life was being

subordinated to economic life and since the logic of the market was seeping into the fabric of American life, the only way to combat inequality as well as the “chaotic individualism” of the time was through a reinvention of political life itself.

Croly’s ideas about economic inequality were characteristic of a more advanced conception of democracy that insisted on what Croly referred to as “mutual ties and responsibilities.” Inequality split the interests of individuals into different segments which, in turn, shattered the cohesive, underlying unity that democracy requires. This did not mean a radical overturning of capitalism but the elimination of gross inequalities by taxation and the returning of what he referred to as an “excessive measure of reward” to the community so as to “secure for the whole community those elements in value which are made by the community.”<sup>43</sup> Croly’s understanding of the connection between inequality and the erosion of democracy was important, for it pointed toward a more active role of the state (for regulation) and away from older ideas of democracy—what he referred to as “traditional democracy”—which was based on narrow interpretations of rights, individualism and social welfare. Croly fused the political and economic spheres by connecting the problem of equal rights with that of the maldistribution of wealth under a system of private property: in no way was it possible, under such a system, for there to be both equal rights and equal opportunities for *exercising* those rights. If left unfettered, the result would be the gradual withering away of national purpose and of democracy itself.

The Progressive response to economic inequality spurred a new conception of political rights, one that brought issues of the economy and the inegalitarianism it created together with new conceptions of political democracy and public welfare. It envisioned,

as Walter Weyl's phrase indicated, a "new democracy" wherein democracy would no longer be interpreted in its older Jeffersonian and Jacksonian manifestations, i.e., as laissez faire individualism. The new democracy was emerging out of what Weyl called the "new social spirit," one which was separating America from its crude past and propelling it into a more democratic future. Weyl, was one of the new proponents of a "socialized democracy," which saw the older individualistic form of society as crude because it halted progress and, more importantly, eroded the social foundations for the deepening and extension of democracy. The maldistribution of wealth was simply the highest form of social ill that this conception of society produced. What Weyl was able to perceive was that the "individualistic" democracy that had characterized American society from its inception was producing a fragmented, atomized and anomic society where plutocracy was beginning to erode prospects for any kind of democratic future. What the new social spirit called for was a "*socialized democracy*, which conceives of society as a whole and not as a more or less adventitious assemblage of myriads of individuals."<sup>44</sup>

The foundations of liberal individualism needed to give way for the emergence of a democracy built around assumptions of the public good. It was, in this sense, an interpretation of civic republicanism from the point of view of modernity: state institutions would pick up where the older forms of civic virtue had left off. Progressives like Weyl and Croly as well as thinkers like Dewey saw the need to embrace a more democratic modernity in order to overcome the shattering social consequences of the Gilded Age. Plutocracy was, in Weyl's estimation, merely temporary since it was being effectively counteracted by the emergence of "socialized democracy." Individualism was

therefore no longer what it had been in the late eighteenth-century, in its classical liberal guise—it was now little more than an apologia for propertied interests which acted at the expense of the public good.

In the socialized democracy towards which we are moving, all these conceptions will fall to the ground. It will be sought to make taxes conform more or less to the ability of each to pay; but the engine of taxation, like all other social engines, will be used to accomplish great social ends, among which will be the more equal distribution of wealth and income. The state will tax to improve education, health, recreation, communication, “to provide for the common defense, and promote the general welfare,” and from these taxes no social group will be immune because it fails to benefit in proportion to cost. . . . The political liberties of the people will be supplemented by other provisions which will safeguard their industrial liberties.<sup>45</sup>

The sentiment of thinkers like Weyl and Croly would therefore effect a fundamental intellectual reorientation away from the older ideas about inequality and individualism and toward an attempt to halt the slide toward economic society away from political society. Weyl, Croly and Dewey knew that such a slide had a grave impact on political life, morality and ethical life. They knew that, in Weyl’s words, “[t]o-day the chief restrictions upon liberty are economic, not legal, and the chief prerogatives desired are economic, not political,”<sup>46</sup> and that the effect of this was nothing more than the erosion of democracy and the sacrifice of human progress.

Unlike George, Bellamy and Lloyd, they were able to translate the critique of an atomized, fragmented society rife with economic inequality and social antagonism into a working alternative that contained institutional concerns and one that involved a moral redirection of the way in which the relationship between economy, polity and society related. Their critique was not merely moralistic; they were able to glimpse the crucial insight that the character of political and economic life was rooted in the particular ethical

ideas that members of society held and that ideas could be concretized into political institutions. George, Bellamy and Lloyd—each in their own way—looked to the past to ground their critiques of the present and their pathways to the future. George’s economics embraced a liberal economic individualism; Lloyd’s criticism of industrial modernity was cast as the source of a socially corrosive individualism; and Bellamy’s notion of a “religion of solidarity” fed off of ideas of solidarity that were foreign to a modern society marked by class divisions and growing ethnic diversity. But this was not what characterized the ideas of Weyl, Croly and others. For them, the emergence of modernity required a reorientation of democracy by expanding what democracy meant as well as expanding the role of the state to achieve common, public ends. Primary among their concerns was the economy and the amelioration of economic inequality. They were able to link the category of political rights with the problem of economic conditions. As a general movement, Progressives sought national progress through a moral reinvention of the nation, and this was accompanied by a redefinition of the role of the state and a reconfiguration of polity, economy and society.

It was this reconceptualization of democracy that would essentially steer American society from one based on economic and social laissez faire, marked by anomic individualism and inequality to one of social responsibility and state intervention. Their enemies were the familiar coterie: the adherents of the classical economists, especially Adam Smith, and other libertarian thinkers criticized Progressive ideas, but in the end this was hardly of any real consequence. What would emerge as a liberal-capitalist consensus was not the product of this struggle of ideas but of the admission of Progressive intellectuals—from Ely and Cooley on through Clark, Croly and Weyl—that

capitalism, more specifically industrial capitalism, was one of the key elements of social progress, of human freedom and happiness. Unlike the socialist thinkers of the time, their opposition was not to the system itself, but to the effects of the system's abuses and excesses.

This tendency in the thought of Progressives would have a deep impact on the way that economic inequality would be conceived for most of the twentieth-century. There was no rejection of capitalism or even large scale corporatism. Croly insisted that “[t]he huge corporations have contributed to American economic efficiency. They constitute an important step in the direction of the better organization of industry and commerce.”<sup>47</sup> But there was a reformist mentality which gave way to deeper ideas of political and social change. Fighting inequality and social fragmentation did not necessitate, for the reformers, the elimination of capitalism. Socialists like John Spargo, by contrast, would still insist that class divisions and social fragmentation could not be properly addressed without jettisoning capitalism itself.<sup>48</sup> But the American radical project would be thwarted by the emergence of the expanded state and its crusade for economic and social security. Progressive intellectuals saw that a reworking of state-economy relations would enable both economic and technological growth and a more just distribution of economic product. Capitalism in and of itself was not the central problem—the entire system of laissez faire was and to combat this, the state needed to be redefined, reworked, and brought in.

The erosion of the older labor radicalism that had been centered on the elimination of wage labor was also a central aspect of the way that a new consensus between labor and capital could be reached. The older ideology that saw wages as an

entrée into wage slavery and servitude were giving way to the newer idea that working people—through labor unionism and activism—should increase their share of wages thereby evening out the unequal power between labor and capital. The massive expansion of the American economy made the proletarianization of the American working class all but complete, and although it began in the late nineteenth-century, its political effects would begin to be seen in the early twentieth.<sup>49</sup> Indeed, the shift in ideology from anti-wage labor to the acceptance of the wage system was, as Lawrence Glickman has argued, “perhaps the most significant ideological development of the late nineteenth-century since it entailed a redefinition of the meaning of freedom, independence, and citizenship.”<sup>50</sup> This shift meant an acceptance of capitalism as an institution and way of economic life, something that the radical egalitarian critics of the ante-bellum period would never have accepted. Now working people who suffered from economic inequality would be forced to confine their arguments to the push for higher wages rather than a transformation of the economic system as a whole. In so doing, they would embrace reform over more radical solutions to economic inequality and the friction-ridden relationship between capital and labor.

This ideological transformation would redefine the very ways that workers saw themselves: no longer as “producers” as they had in the early nineteenth-century but now as consumers, of wages primarily.<sup>51</sup> Equality could be achieved not by eliminating capitalism, but by pushing for higher and higher wages through labor organization. Ira Steward, one of the main theorists of this shift in labor ideology in America, was direct about this point when he argued that “the way out of the wage system is through higher wages, resultant only from shorter hours.” The emphasis on equality was therefore

shifted to a new set of ideas. Working people would be able to improve their overall quality of life by insisting on higher wages and shorter hours. This would soon become the vision of the American labor movement as Samuel Gompers would point out in 1919 when he argued that “I believe that as time goes on the wage-earners will continue to become larger sharers per dollar of the wealth produced.”<sup>52</sup> Gompers wanted to see the rights of working people tied to their ability to live according to civilized standards of living—to do this, workers would constantly need to push for higher wages to accommodate their needs. This new emphasis on a “living wage” would come to dominate the rhetoric not only of the labor movement itself, but of the broader political debates of the early to middle twentieth-century.

Indeed, as an extension of Progressive thought about the economy, inequality and the role of the state, New Deal thought became the institutional paradigm for American politics and political and social theory through the 1960s. The new philosophy of society that began to emerge with the Progressive thinkers codified a new relationship between state and society even as it served to de-radicalize the way that labor and capital were in conflict.<sup>53</sup> The scarring effects of economic inequality brought to consciousness among American political theorists the need for a new conception of the state, one defined against the *laissez faire* minimalism of the past century and oriented toward new moral-political goals. The stubborn existence of economic inequality had convinced many American political thinkers that the narrow liberal individualism that was born in the eighteenth-century and which had co-existed with the growth of a grotesque social order during the nineteenth had to be reformed, even transcended. Against the older ethos of liberal economic individualism, the move toward conceptualizing the public good came

to be cast in social terms rather than individualistic ones. It emphasized the need to abandon the encrusted view of powerful elites that individualism was akin to liberty and that private property and resource ownership was the only path to efficiency, fairness and social progress. Thus Thurman Arnold argued when he wrote in his book *The Symbols of Government* that “[t]hose who rule our great industrial feudalism still believe inalterably the old axioms that man works efficiently only for personal profit; that humanitarian ideals are unworkable as their principle aim of government of business organization: that control of national resources, elimination of waste, and a planned distribution of goods would destroy both freedom and efficiency.”<sup>54</sup>

The older moral critique of capitalism and inequality that was so vibrant in the late nineteenth-century were largely seen as utopian, but not incorrect in their perceptions. Then as now, the key concern behind the critique of economic inequality was not a simple concern with distributive justice, but a deeper fear that inequality was eroding social cohesion and threatening the humanistic ends of social life. A new kind of democratic theory was beginning to arise that identified the public as the central place where democratic accountability would lie and it would serve as a theoretical regulative ideal judging and, in many cases guiding, the institutional reforms of the New Deal era. John Dewey’s *The Public and Its Problems* was one of the more prominent texts which would provide new normative insights for the understanding of the interaction between state, society and economy.<sup>55</sup> For Dewey, the idea of the “public” was defined as “all those who are affected by the indirect consequences of transactions to such an extent that it is deemed necessary to have those consequences systematically cared for.”<sup>56</sup> For Dewey, modern life posed new problems for the older understandings of community and

state. Before the modern era, it was commonly seen that deliberate transactions between two or more people were essentially isolated acts circumscribed in and of themselves; but the modern understanding of a “public” meant that the new economic institutions of the time, modern technology and so on, had unintended effects on others; as such, the public interest could not always be served by the activity of self-interested individuals.

Dewey was able to conceive this in Hegelian terms. Economic modernity had created a situation where civil society—which in Hegel’s formulation was defined by atomistic individualism—had overcome moral obligations of individuals toward the public good. Economic inequality was effecting a breakdown of social bonds, but it was also corrupting the ability of individuals to lead a creative and free life. The individualistic atomism which accompanied the economic nature of civil society (Hegel’s *bürgerliche Gesellschaft*) could only be overcome through the machinations of the state; through institutions which objectified the public good through rational law guided by what best for society as a whole. The problem with American liberalism was not that it had existed in the first place, but that it was unable to change with the historical context. The early forms of liberalism which had railed against political oligarchies, feudalistic social arrangements and Church authority had also created the ideal of economic autonomy as a means to those ends. But in the modern context, this form of liberal individualism had a corrosive effect on society—economic inequalities were the empirical referent for this breakdown of social bonds but also of the breaking down of America’s democratic political and cultural order. What Dewey termed “social liberalism” was most developed phase of liberal philosophy, one that relegated individual autonomy to the realm of thought and free inquiry and placed concerns of the public good

and broader social interests and concerns into the hands of the state. Dewey was able to parse the class character of laissez faire liberal individualism since it “is absurd to conceive liberty as that of the business entrepreneur and ignore the immense regimentation to which workers are subjected, intellectual as well as manual workers.”<sup>57</sup> What was needed, in Dewey’s formulation, was a reconstruction of liberal theory to accommodate the complexities of the modern age.

The turn away from individualistic liberalism and toward the institutional construction of the welfare state was therefore a reaction against the economic effects of capitalism. Inequality was foremost among them since it was the question of distribution and redistribution—and the role of the state in this activity—which was of primary importance before and during the New Deal era. True, the Great Depression was the primary motivator for the emergence of the welfare state and the Roosevelt administration was forced to take the interests of labor into account due to the labor movement’s growing influence. But the intellectual environment in which the welfare state was born requires emphasis since without the intellectual and moral reorientation of both the bureaucratic elite and public intellectuals, these new state institutions would have scarcely been possible. A new sympathy toward labor unions, the poor and the expanded role of the state required a transformation of the moral-political sphere. American political and social theory effected an intellectual and moral-political reorientation away from the crude, atomistic individualism which marked the previous century and a half of American political and economic life toward a new conception of state/society relations. The effects of economic inequality in the late nineteenth- and early twentieth-century therefore had a profound impact on American political thought;

leading to ideas that called for the state not only to enter into the activity of redistribution, but to take over where the market was unable to provide. This would remain the active ethic of the welfare state well into the 1960s where the Great Society programs of the Johnson administration were extensions of this shift in relations between state, society and economy that anticipated the intellectual reaction to economic inequality that had been the hallmark of American society from the late nineteenth-century through the Great Depression.

The equality in income and wealth distribution which was achieved during the 1940s and 1950s was not only the result of the sharply progressive tax policies of Roosevelt's administration. It was more importantly the result of the expanded power given to labor. The Wagner Act, Walsh-Healy Act and the Fair Labor Standards Act were integral to raising the wages of workers and to combating the systemic inequalities that had been increasing since the middle of the nineteenth-century between capital and labor while the Tax Act of 1935 worked to reverse the trickle down economics of the first three decades of the century. Economic inequality was now on the agenda of American politics and policy. And it was politics more than ideology which limited the expansion of this institutional crusade. Roosevelt's policies had thoroughly alienated capitalist interests in favor of labor.<sup>58</sup> Labor's radicalism was decisively curbed in the immediate post-war years as conservative forces surged against the growing power and influence of labor. Groups like the National Association of Manufacturers (NAM) and other pro-business organizations mobilized. But the conflict between labor and capital would take on a different flavor from that of the late nineteenth-century, one contained by the liberal-capitalist consensus created by Roosevelt's policies. By being given participation in the

economic and political process, labor was able to have a hand in raising wages and the state's progressive income tax provided further redistribution relief. Inequality was by no means eliminated, but it was so attenuated among such a broad section of the population that labor's reconciliation with capitalism was approaching completion.

But at a deeper level, there also emerged an intellectual crisis in New Deal liberalism. Although Dewey had called for a "social liberalism" which would accentuate the need to oppose the individualistic capitalism that had created the economic divisions of the recent past, it was not clear that this project would be successful. Indeed, although the institutions of the New Deal would be created and a shift in American politics had been effected, Dewey's "social liberalism" and the emphasis on the state as the solver of public problems that was current in the late 1930s began to give way. The issue of individual liberty once again became a key topic for liberals as the War progressed and Soviet collectivism was seen for what it was.<sup>59</sup> The older liberalism that Dewey had pointed to, its anti-statism, skepticism of collectivism and the fear that it would quash personal choice and opportunity in the economy would all contribute to counteracting the more radical promises and potentials of the New Deal. The turn toward individualistic liberalism would have deep consequences for economic inequality and the future ability to respond to it.

Of course, the New Deal reforms were contested. Critics asserted that the New Deal reforms had not gone far enough; others that they had gone too far. Norman Thomas called Roosevelt's reforms nothing more than "pale pink pills" and castigated Roosevelt's New Deal for not going far enough to free labor.<sup>60</sup> Thomas was not confronting the realities of Roosevelt's policies—especially that they were giving

preferential treatment to labor and allowing its increased power to result in a more reasonable equality of income and wealth. For the most part, liberals and many socialists were won over by this new orientation toward labor. Dewey himself was of mixed view. He saw that the reforms had yet to establish equality as the central political and moral category around which a new socio-economic order should be arranged: “The means have to be implemented by a social-economic system that establishes and uses the means for the production of free human beings associating with one another on terms of equality.”<sup>61</sup>

But despite the criticisms, it was clear what the New Deal had accomplished when it came to addressing the problem of economic inequality. For the first time in American political history and political thought, it became imperative on the state to enter into economic affairs for the purpose of redistribution. The classical liberal conception of the state had always protected private property rights at all costs; now the state backed labor unions against the larger interests of capital for the purpose of economic justice. And in the end, it was not simply a transformation of institutions which made this possible: it was also—and I think more importantly in many ways—a reorientation of the intellectual and moral-political dimensions of state-society relations which consisted in an overturning of the older, more entrenched understanding of liberalism and democracy. Moving away from the ideas of economic autonomy and individualism that were championed throughout the long evolution of American political culture, progressive and New Deal era thinkers reworked the older idea of a liberal democracy premised on possessive individualism and reworked it into a socialized democracy which recaptured the older republican themes of the public good and social equality.

Of course, the problem with this—as Dewey and Thomas, among others, had seen—was that the reforms did not go far enough in remaking a new socio-economic order. Inequality was ameliorated and for the remainder of the twentieth-century through the present; radical forces which were once active in the labor movement would no longer be characterized by radical ideas and programs. The liberal-capitalist consensus was therefore an agreement by labor and capital to accept the terms of the New Deal. Ideologically, it would preserve a liberal notion of property and a liberal work ethic; institutionally, the reality of labor’s collectivism allowed workers to share in the growth and expansion of America’s post-war industrial growth. But in time, this phase of capitalism would also pass and with it, the mechanisms for maintaining the modicum of economic equality obtained from the 1940s through the 1960s.

In the end, the reconciliation between capitalism and corporate liberalism was able to usher in an expanded conception of democracy. The welfare state was an admission that the autonomy of the market would continue to plunge society into chaos, division and turmoil. In its earliest manifestations liberalism articulated an ethic of social cooperation against that of anarchic individualism; in its later, New Deal manifestation, it would turn this into a call for economic and social security, expanding the responsibilities of the state and its powers.<sup>62</sup> The desire for equality was tempered by the relative equality brought about by the New Deal and the welfare state. Through the next several decades until the reemergence of a newly reformed political culture of conservatism in the late 1970s and beyond, the product of reconciliation worked as John Bates Clark, writing as early as 1905, seemed to have predicted when he asserted that “the new

condition will not put an end to socialistic agitation, but it will reconcile so many classes to the present order that the agitation will have no radical effects.’<sup>63</sup>

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- <sup>1</sup> See Jeffrey G. Williamson, *Industrialism, Inequality and Economic Growth*, (Cheltenham, UK: Edward Elgar, 1997); as well as his *Did British Capitalism Breed Inequality?* (Boston: Allen & Unwin, 1985).
- <sup>2</sup> For an excellent discussion, see John Kasson, *Civilizing the Machine: Technology and Republican Values in America, 1776-1900* pp. 53-106 (New York: Penguin Books, 1976).
- <sup>3</sup> Martin Sklar, *The Corporate Reconstruction of American Capitalism 1890-1916*, p. 8 (Cambridge: Cambridge University Press, 1988).
- <sup>4</sup> See Alfred Chandler, "The Organization of Manufacturing and Transportation," in David Gilchrest and W. David Lewis, (eds.) *Economic Change in Civil War Era* (Greenville, DE: Eleutherian Mills-Hagley Foundation, 1965).
- <sup>5</sup> E. L. Godkin, "The Labor Crisis," *North American Review*, vol. CV, (July 1867), pp. 186, 188.
- <sup>6</sup> See Eric Foner, *Free Soil, Free Labor, Free Men: The Ideology of the Republican Party before the Civil War* (New York: Oxford University Press, 1995).
- <sup>7</sup> For a discussion of the Radical Republicans and their debates on political and economic equality, see Eric Foner, *Reconstruction: America's Unfinished Revolution, 1863-1877* pp. 228-280 (New York: Perennial Classics, 1989).
- <sup>8</sup> See Foner, *Reconstruction*, p. 235.
- <sup>9</sup> W. E. B. Du Bois, *The Souls of Black Folk*, pp. 43-44 (New York: The Modern Library, 2003).
- <sup>10</sup> For an important discussion of the differences between different black intellectual ideas of the period, see Cary D. Wintz (ed.) *African American Political Thought: 1890-1930*, pp. 1-18 (Armonk, NY: M. E. Sharpe, 1996).
- <sup>11</sup> See Stokely Carmichael and Charles V. Hamilton, *Black Power: The Politics of Liberation in America*, pp. 146-163 (New York: Random House, 1967).
- <sup>12</sup> W. E. B. Du Bois, *Black Reconstruction in America: 1860-1880*, pp. 580-636 (New York: Atheneum, 1962).
- <sup>13</sup> Henry George, *Progress and Poverty*, p. 282 (New York: Robert Schalkenbach Foundation, 1938).
- <sup>14</sup> *Ibid.*, p. 545.

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<sup>15</sup> For an important discussion, see J. R. Pole, *The Pursuit of Equality in American History*, pp. 254-283 (Berkeley: University of California Press, 1993); John L. Thomas, *Alternative America*, pp. 103-131 (Cambridge: Harvard University Press, 1983); and Jeffrey Lustig, *Corporate Liberalism: The Origins of Modern American Political Theory, 1890-1920*, pp. 57-77 (Berkeley: University of California Press, 1982).

<sup>16</sup> Friedrich Sorge, "Socialism and the Worker," p. 207 in Albert Fried, ed. *Socialism in America: From the Shakers to the Third International* (New York: Columbia University Press, 1992).

<sup>17</sup> Johann Most, "The Beast of Property," pp. 213, 215 in Albert Fried, op. cit.

<sup>18</sup> Henry Demarest Lloyd, *Wealth against Commonwealth*, pp. 1-2 (Washington, D.C.: National Home Library Foundation, 1936).

<sup>19</sup> *Ibid.*, p. 333.

<sup>20</sup> The emergence of the "utopian novel" in the last quarter of the nineteenth-century was no mere coincidence. It emerged as a direct result of the atomized social effects of early industrialism as well as the emergence of modernity in America. For an interesting discussion, see Allyn B. Forbes, "The Literary Quest for Utopia, 1880-1900," *Social Forces*, vol. 6, no. 2, 1983.

<sup>21</sup> It has also been argued that Bellamy's anti-individualist stance also gave rise to a totalitarian impulse since he emphasized a bureaucratic solution—in place of a more social democratic one—to the problems caused by laissez faire. For this view, see Arthur Lipow, *Authoritarian Socialism in America: Edward Bellamy and the Nationalist Movement* (Berkeley: University of California Press, 1982).

<sup>22</sup> In his *Philosophy of Right*, Hegel argues that it is through what he terms the "universal class," or the bureaucracy, that the state will be able to manifest the collective will of society and the objective realization of human freedom vis-à-vis the state, §§ 260, 261. For Hegel, the state was the dialectical culmination of ethical life (*Sittlichkeit*), of human freedom and political modernity. It would overcome the social atomization of "civil society" and it would also strive toward a rational universalism based on the institutions of the state (*objektiver Geist*) and be characterized by rational laws grounded in an ethical imperative toward human freedom. Bellamy spent time in Germany in the winter of 1868-69 where he studied German socialism. The Hegelian themes in *Looking Backward* are certainly not the result of coincidence.

<sup>23</sup> Edward Bellamy, *Looking Backward, 2000-1887*, p. 89 (New York: Penguin Books, 1986).

<sup>24</sup> *Ibid.*, pp. 65-66.

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- <sup>25</sup> Edward Bellamy, *Equality*, p. 3 (New York: D. Appleton and Company, 1897).
- <sup>26</sup> Quoted in J. R. Pole, *op cit.* p. 266.
- <sup>27</sup> Richard Hofstadter, *Social Darwinism in American Thought*, pp. 51-66 (New York: George Braziller, Inc., 1965). For a critical view of the extent to which conservatives during the Gilded Age actually relied upon Darwinian ideas and principles, see Irving Wyllie, *The Self Made Man* (New Brunswick: Rutgers University Press, 1954) as well as Robert C. Bannister, "The Survival of the Fittest is Our Doctrine: History or Histrionics?," *Journal of the History of Ideas*, vol. 31, no. 3, 1970.
- <sup>28</sup> For a discussion of this anti-egalitarian tradition in early nineteenth-century America, see Carl L. Becker, *The Declaration of Independence: A Study in the History of Political Ideas*, pp. 234-279 (New York: Vintage Books, 1970).
- <sup>29</sup> John C. Calhoun, *Disquisition on Government in the Works of John C. Calhoun*, vol. 1, pp. 56-57.
- <sup>30</sup> John C. Calhoun, *Exposition and Protest*, quoted in Richard Hofstadter, *The American Political Tradition*, p. 105 (New York: Vintage Press, 1989).
- <sup>31</sup> William Graham Sumner, *What Social Classes Owe to Each Other*, p. 29 (Caldwell, ID: Caxton Press, 2003 [1883]).
- <sup>32</sup> For a discussion, see Robert Green McCloskey, *American Conservatism in the Age of Enterprise, 1865-1910* pp. 42-71 (New York: Harpers Torchbooks, 1964).
- <sup>33</sup> Richard Hofstadter, *op. cit.*, p. 56.
- <sup>34</sup> Sumner, *op. cit.*, p. 47.
- <sup>35</sup> *Ibid.*, p. 46.
- <sup>36</sup> Sanford M. Jacoby, "American Exceptionalism Revisited: The Importance of Management," in Sanford M. Jacoby (ed.) *Masters to Managers: Historical and Comparative Perspectives on American Employers*, (New York: Columbia University Press, 1991). Also see Kim Voss, *The Making of American Exceptionalism: The Knights of Labor and Class Formation in the Nineteenth Century*, (Ithaca: Cornell University Press, 1993).
- <sup>37</sup> Richard T. Ely, *The Labor Movement in America*, pp. ix-x (New York: Arno Press, 1969 [1886]).
- <sup>38</sup> *Ibid.*, p. xi.

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<sup>39</sup> For a discussion of the debate on laissez faire during the early twentieth-century, see Barbara Fried, *The Progressive Assault on Laissez Faire: Robert Hale and the First Law and Economics Movement*, pp. 1-70 (Cambridge: Harvard University Press, 1998).

<sup>40</sup> Note the important discussion by Eldon Eisenach, *The Lost Promise of Progressivism*, pp. 8-47 (Lawrence, KA: University Press of Kansas, 1994).

<sup>41</sup> For an important discussion of the anti-radicalism of American Progressive intellectuals, see James T. Kloppenberg, *Uncertain Victory: Social Democracy and Progressivism in European and American Thought* (New York: Oxford University Press, 1986).

<sup>42</sup> Herbert Croly, *The Promise of American Life*, p. 23 (New York: Macmillan Co., 1963 [1909]).

<sup>43</sup> *Ibid.*, pp. 380-381.

<sup>44</sup> Walter Weyl, *The New Democracy: An Essay on Certain Political and Economic Tendencies in the United States*, p. 162, emphasis added (New York: Macmillan Co., 1912).

<sup>45</sup> *Ibid.*, pp. 163-164.

<sup>46</sup> *Ibid.*, p. 164.

<sup>47</sup> Herbert Croly, *op. cit.* pp. 358-359.

<sup>48</sup> See his *The Socialists: Who They Are and What They Want*, pp. 34-39 and 71-77 (Chicago: Charles H. Kerr & Co., 1910).

<sup>49</sup> For a discussion of the proletarianization of the American working class and its beginnings in the late nineteenth-century, see David M. Gordon, Richard Edwards, and Michael Reich, *Segmented Work, Divided Workers: The Historical Transformation of Labor in the United States* (Cambridge: Cambridge University Press, 1982).

<sup>50</sup> Lawrence B. Glickman, *A Living Wage: American Workers and the Making of Consumer Society* (Ithaca: Cornell University Press, 1997).

<sup>51</sup> For a discussion, see Michael Kazin, "The Workers' Party?" *The New York Times* October 19, 1995.

<sup>52</sup> Samuel Gompers, *Labor and the Common Welfare* (New York: E. P. Dutton & Company, 1919).

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<sup>53</sup> For an interesting discussion of how this de-radicalization of labor and capital was carried out in the Progressive and New Deal eras in the realm of film, see Michael Rogin, “How the Working Class Saved Capitalism: The New Labor History and *The Devil and Miss Jones*,” *The Journal of American History*, vol. 89, no. 1.

<sup>54</sup> Thurman Arnold, *The Symbols of Government* pp. 259-260 (New Haven: Yale University Press, 1935).

<sup>55</sup> It should be pointed out that Dewey’s ideas about political economy were not particularly sophisticated. He still saw Henry George’s ideas as possessing theoretical validity as he argued in one of his radio addresses in 1932 concerning the massive inequality of the day:

Go to the work of Henry George himself and learn how many of the troubles from which society still suffers, and suffers increasingly, are due to the fact that a few have monopolized the land, and that in consequence they have the power to dictate to others access to the land and to its products—which include waterpower, electricity, coal, iron and all minerals, as well as the foods that sustain life—and that they have the power to appropriate to their private use the values that the industry, the civilized order, the very benefactions, of others produce. This wrong is at the very basis of our present social and economic chaos, and until it is righted, all steps toward economic recovery may be temporarily helpful while in the long run useless.

<sup>56</sup> John Dewey, *The Public and its Problems*, pp. 15-16, (Athens, OH: Ohio University Press, 1954 [1927]).

<sup>57</sup> John Dewey, “The Future of Liberalism,” p. 230 *The Journal of Philosophy*, vol. XXII, no. 9 (1935).

<sup>58</sup> For a discussion of the various policies enacted by Roosevelt and their impact on income and wealth distribution, see Ronald Edsforth, *The New Deal: America’s Response to the Great Depression*, pp. 235-252 (New York: Blackwell, 2000); and Nelson Lichtenstein, “From Corporatism to Collective Bargaining: Organized Labor and the Eclipse of Social Democracy in the Postwar Era,” in Steve Fraser and Gary Gerstle (eds.) *The Rise and Fall of the New Deal Order, 1930-1980* pp. 122-152 (Princeton: Princeton University Press, 1989). These views go against the idea that Roosevelt relied on certain sectors of capital—i.e., those that were not labor-intensive—to push through his economic reforms. For this view, see Thomas Ferguson, “Industrial Conflict and the Coming of the New Deal: The Triumph of Multinational Liberalism in America,” pp. 3-31 in Fraser and Gerstle (eds.), op. cit.

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<sup>59</sup> For an excellent discussion, see Alan Brinkley, *The End of Reform: New Deal Liberalism in Recession and War* pp. 137-174 (New York: Vintage Press, 1996).

<sup>60</sup> Norman Thomas, “Shall Labor Support Roosevelt?” (New York: Socialist Party, 1936). For more extensive comments by Thomas on the New Deal, see *The Choice Before Us: Mankind at the Crossroads* pp. 83-127 (New York: Macmillan Co., 1934).

<sup>61</sup> John Dewey, “The Economic Basis of the New Society,” p. 430 in *Intelligence in the Modern World* (New York: Random House, 1939).

<sup>62</sup> For a discussion, see Cass Sunstein, *The Second Bill of Rights*, pp. 61-98 (New York: Basic Books, 2004). Sunstein argues that Roosevelt was not an egalitarian and was concerned with the issue of “security” over that of equality. But this is hard to argue in face of the kind of sweeping power that he gave to labor and its ability to bargain collectively had a large impact on equalizing income distribution through the 1940s and 1950s.

<sup>63</sup> John Bates Clark, “Monopoly and the Struggle of Classes,” p. 141 in Robert LaFollette, (ed.) *The Making of America* (New York: Arno Press, 1969 [1905]).

## CHAPTER V

### **Embracing Inequality: The Reorientation of American Democracy**

The American Economic Association's Richard T. Ely Lecture of 1999 was titled "In Defense of Inequality." Its author, Finis Welch, was simple and direct in approaching his subject: "I believe inequality is an economic 'good' that has received too much bad press."<sup>1</sup> But Welch's assertion was not meant to generate controversy. Indeed, what has become painfully obvious by the end of the twentieth-century is that the ascendancy of the market in American society has been accepted at the expense of broader political aims and goals. Whereas the Progressive and New Deal eras sought to privilege politics over the workings and effects of the economy in order to realize more substantial political conceptions of democracy and human liberty, the contemporary consensus has decidedly shifted toward a hostility to state intervention and, I would argue, away from the very goals of economic equality itself. Not only are market processes regarded as the fundamentals of modern economic and social life, but market outcomes are tolerated as final. Contemporary views on inequality have been shaped by the curious mixture of liberalism and capitalism that has been at the heart of American political culture. Indeed, the liberal-capitalist consensus that was forged during the 1930s and 1940s was not something imposed from without; it was simply the reconciling of liberal ideas of "fairness" and "opportunity" that were inherent in American political conceptions of individual liberty fused with the economic conditions of the time. Confronting economic inequality in any radical way therefore requires insight into the mechanisms of inequality, into the various ways in which inequality is generated. But it also requires that a

conception of political right that goes beyond a liberal framework be adopted. It is the entrenchment of liberalism—and its elective affinity with modern capitalism—that has produced the broad acceptance of economic inequality as a just aspect of modern American social organization.

A crucial aspect of the importance of political ideas lie in their ability to legitimize institutions and ways of social and economic life. An important dimension of the underlying ideology of American political culture has been its economic liberalism: the emphasis on the importance of hedonic individualism and property. Although there were variations on this theme, the overwhelming force of the liberal economic ethic in American life has resulted in a skepticism of the state and the emphasis on equality of opportunity. The radical link that was made during the first few decades before the Civil War between equality of opportunity and equality of condition was slowly drowned out as the evolution and spread of capitalism made the possibilities for such a link less realizable. The formation of new markets for labor as industrial capitalism developed and deepened transformed the discourse of economic inequality in America by breaking apart the smaller economic communities of the early nineteenth-century and with them the associational ideals of equality that were advocated by the radicals of the time. The aftermath of the Civil War saw the ascendancy of industrial capitalism, rapid economic development, the nationalization of the economy, mass urbanization and massive economic disparity. With the ascendancy of wage labor it formed a new economic context wherein the ideas of economic equality would shift from equality of condition to equality of opportunity and from a political ideology that was specifically anti-capitalist to one that sought reform and a reconciliation between capital and labor. This change was

made necessary by the new economic context of wage labor and the erosion of the smaller, self-sufficient economic communities that had predominated the late eighteenth- and early nineteenth-centuries. The older enemies of the radical critics of the 1820s through the 1850s—such as wage labor and the evolving legal rights that corporations or “combines” were garnering—gave way to the newer economic enemy of monopolization and an economic aristocracy that possessed the capacity to choke off economic opportunity. Even at their most radical, Americans rarely moved away from their liberal economic ethic and the emphasis on individual labor as the sole criterion for the accumulation of property.

The economic and social crises of the late nineteenth- and early twentieth-centuries such as the economic depressions that spread massive unemployment and social strife, therefore made reform a major issue and prompted a reorientation of intellectual and political life. Franklin Roosevelt’s claim in his second inaugural address that “we refuse to leave the problems of our common welfare to be solved by the winds of chance and the hurricanes of disaster” was evidence of the extent to which a new conception of the market and its relation to society and the state was in bloom. The reason for the antipathy toward the “free,” or unregulated, market was the massive economic inequalities spawned by industrial capitalism and the social crises that resulted from it. But despite the gains of the labor movement in pushing labor into more parity with capital, the vision of the New Deal went into crisis in the late 1980s and its deeper vision for remaking American economy and society was derailed. Although state intervention for assistance from the Depression was welcomed by the overwhelming majority of Americans, there was a clear limit to the extent to which they would tolerate the

concentration of state power.<sup>2</sup> The crisis of a “socialized democracy” was therefore the result of the skepticism of the state that a liberal American society had always harbored and the implications this would have for economic inequality would not take long to manifest themselves.

By 1980, the conservative forces in American society and politics had acquired new legitimacy and power. Their ideas were formed by a new intellectual and ideological orientation that blended populist ideas of economic liberty as well as the identity of American economic life with liberal capitalism as opposed to the collectivism and state-centered economies of communist countries and social democratic countries in Europe. What Bruce Schulman has referred to as the “southernization” of American politics and society began in the 1970s with the crumbling of the old northeastern industrial belt and the rise of the “sunbelt” economies of the South and Southwest.<sup>3</sup> Kevin Phillips’ argument that this new economic Sunbelt would serve as the foundation for a new political and cultural split in American politics and society proved to be correct and with it came a deeper attack on the state and a renewed emphasis on economic liberalism and deregulation.<sup>4</sup> A return to the individual in political and economic discourse was therefore a crucial turn away from the kind of social integration that the Progressive and New Deal thinkers had been developing. This meant a turn away from the public sphere and a renewed skepticism of the state and its institutions and programs. The “new democracy” that thinkers in the first few decades of the century from Herbert Croly, Walter Weyl and John Dewey had seen emerging with its emphasis on a socialized democracy, a shift away from the autonomy of the market and laissez faire individualism

in economy and society, and the investing of the state with a new, common purpose was withering.

The empirical nature of economic inequality would also become something qualitatively different in nature. Whereas capitalist development in American history was an explicitly exploitive process which made class identification easy and class differences highly acute, the new inequality does not wear obvious the trappings of older forms of class inequality. The postindustrial, service-oriented economy that has created the new inequality has bred anew the older forms of economic exploitation that was characteristic of the nineteenth-century. The crucial question is no longer whether or not inequality exists, but why, even as it continues to grow in scope and magnitude, it has become more tolerated and, to a certain degree, accepted? Even though American political thought has always had its apologists—whether through naïveté or through sheer ideology—of economic inequality and class hierarchy, there was always an egalitarian discourse that saw America’s republican traditions at risk as long as inequalities in wealth were in existence. The fact that this egalitarian tradition has receded to the background in contemporary American politics is therefore an important concern that requires investigation.

The most salient aspect of the change in political and social thought in the last several decades in America has been the slow ascendancy economic society over that of political society. The liberal economic ethic which at one time was a force against stubborn feudal institutions and pre-capitalist economic relations has been reduced to a kind of “chaotic individualism,” to borrow Croly’s phrase from the early twentieth-century. The decline of civic engagement, the erosion of political life and the shattering

of a once vibrant public sphere has been the result of a possessive individualism that has also come to legitimize economic inequality since it is the result of what are seen to be the “natural” processes of the market. The various thinkers and their ideas in this chapter were largely responsible for this intellectual reorientation. Of course, this reorientation has intellectual roots which go back to the beginning of the twentieth-century and the renewed attempt, in the midst of the Progressive era and during the New Deal, to give a renewed legitimacy to laissez faire and to the kind of capitalism which the New Deal and the progressives of the time sought to overcome.

The long and embattled discourse on economic inequality in American thought shows that there was a constant unease when it came to replacing political ideas of democracy and equality with market-based ones of individualism and hierarchy. But the erosion of political society and a vibrant and democratic public sphere allowed for a shift in this orientation. John Kenneth Galbraith had seen the shift coming as early as 1967 when he argued that “If we continue to believe that the goals of the industrial system . . . are coordinate with life, then all of our lives will be in the service of these goals. . . Our wants will be managed in accordance with the needs of the industrial system; the policies of the state will be subject to similar influence; education will be adapted to industrial need; the disciplines required by the industrial system will be the conventional morality of the community.”<sup>5</sup> The revival of laissez faire and what the older theorists and critics of the Progressive era termed “individualistic capitalism,” the shift to economic society, has meant the acceptance of the market and its consequences. It has meant the embracing of a culture of consumption and a dependency on new social relations which have de-emphasized class as a category of social identity and solidarity. It has undergirded a

newer, deeper conception of individualism which has reified market relations in contemporary society even to the extent that it opposes the most immediate material and political interests of an overwhelming majority of the actors involved.

The retrenchment of economic equality and the renaissance of anomic market liberalism was therefore not merely the result of an ascendant capitalism in the post-World War II context; it was also aided by an intellectual shift that put emphasis on a conception of the market that was fused to ideas of liberal individualism and political freedom. Over time, this new market ideology has come to legitimize economic inequality since it has come to be seen as a necessary byproduct of capitalism. Just as Thomas Paine had lamented about the need for government among a society of free individuals in his “Common Sense,” the idea of economic inequality as a necessary function of modern economics has become akin to gospel. But this has also been reinforced by a distinct cultural dynamic, one that has—through the reification of the market—allowed for the emergence of what Lizabeth Cohen has called the “*consumer/citizen/taxpayer/voter*” which views “government policies like other market transactions, judging them by how well served they feel personally.”<sup>6</sup> In the midst of rising affluence in the postwar years, the ascendancy of the market was coupled with a renewed skepticism of the state. Depoliticization, increased consumption and inequality have gone hand in hand, and, since 1980, all have increased in intensity, and what Paul Krugman has referred to as “permissive capitalism,” or the expansion and inflation of the compensation of business elites—has led to a substantial shift in inequality.<sup>7</sup> The cultural component is important to understand since it is the key factor in seeing how economic

inequality has become legitimized and why elites and their theories of a renewed *laissez faire* have been so successful in their project of reworking American democracy.

Both the economic and the cultural shifts are important when understanding the rise and the mass acceptance of economic inequality. This shift was not simply a matter of a change in economic structure, it was also due to the political and cultural change that occurred during the final decades of the twentieth-century.<sup>8</sup> The retreat from political life and the erosion of the public sphere that has marked the past quarter century in America is a symptom of this change. In American history, as I have shown in preceding pages, economic inequality has always been critiqued, fought against and denounced from the sphere of politics; but it was a politics of equality that was premised on equality not as an end in itself, but as a quality of freedom, the annihilation of hierarchy, privilege and servitude. It was seen that the economy was a set of power relations and was therefore political. The emphasis on economic equality was therefore the outgrowth of the insight that any economy and society marked by social atomism, individualism and inequality would constitute a movement away from the ideals of political and individual freedom that had always been seen as the heart of America's republican project. The rise of a consumer society and the erosion of political participation and the public sphere more broadly therefore is a cultural component that has found an elective affinity with certain structural elements of the modern American economy. The move of capital away from its traditional mass industrial base in the north and northeast and to the south and southwest—better known as the Sunbelt—meant a move toward states with weaker or even non-existent unionization, an eagerness for economic development, even at the expense of workers' rights.

The egalitarian tradition in American political thought had always railed against the effects as well as the workings of the emerging capitalist system. They saw that property was being unequally distributed, but they also peered into the mechanisms of how this was systemically reproduced. From Byllseby to Pickering and Brownson to George, Lloyd and Croly, there was always an understanding of the ways that capitalism worked. They may not have been correct in all of their analyses, but the need to see how inequality was produced was always an essential dimension of their egalitarian project. They did not put emphasis on “economic democracy” because the term itself would have been viewed as absurd: democracy was a way of organizing social life as well as a way of organizing political institutions and the economy was simply seen as the material domain of that process. Economic equality—albeit a rough approximation of it—would be simple to maintain once each individual was liberated to keep the fruits of his labor. This liberal economic ethic did come into conflict with economic modernity, but amid the rubble of the interventionist state in the late twentieth-century, the acceptance of capitalism as a way of organizing society has replaced the older egalitarian ideas upon which American political thought and culture had rested for almost two centuries.

### **The Merger of Liberty and Markets**

Throughout its development, the inegalitarian tradition in American political thought was constrained by a crucial flaw in the way it communicated its political ideas. It was one thing to argue that economic development would always require class divisions and inequalities, as Hamilton had; or to argue that human nature itself required that inequalities would present themselves as Calhoun had; or that such “natural

inequalities” were, in effect, beneficial to human progress and should, on those grounds alone, be embraced rather than critiqued by an out-dated moralism as in Sumner. What the modern conception of inegalitarianism emphasized was the liberty that markets unleashed, the way that individuals would be freed from the fetters of any trace of authoritarian control. For these thinkers, laissez faire was indeed a theory of economic individualism. Even though some of the staunchest proponents of free market economics—such as Friedrich Hayek—did maintain that the state ought to step in where the market obviously fails (such as for health insurance and a minimal safety net for the poor), the central premise of modern laissez faire economics was the emphasis on a split between economy, society and state. Margaret Thatcher’s remark that “there is no such thing as society; there are only individual men and women and there are families,” was an extreme formulation of this view. Gone was the discourse that had dominated American political thought on the topic of economic inequality since the economy began to develop along capitalist lines. In its place would rise a new form of liberalism, the foundations of which were not the political imperatives of old, but the economic reductionism of a capitalism reborn.

The defense of inequality that has emerged in the late twentieth-century was unique in another way: it was able to root itself within the political culture of America. Although thinkers like Sumner and Carnegie, with his doctrine of wealth, articulated a thorough doctrine defending economic inequality not only for the interests of an elite class but for the entirety of society as well, they were never able to obtain any kind of popular support. What Matthew Arnold had referred to in the late nineteenth-century as the “religion of inequality” had referred to a climate of intellectual opinion. What

American political culture has now accepted is the populist variant of this ideology. It is an ideology that has been able to embrace the most disparate classes in American politics, but it has done so by finding affinities with traditional American cultural and political understandings of individualism, liberty and economic life. The turn toward libertarian conservative ideas was being sown during the 1960s. The major intellectual forces behind this movement—such as Hayek and Milton Friedman among others—were still an intellectual minority and their ideas had yet to filter into the formulation of policy or into ideas of public life.

The origins of the contemporary assault on the ideas and political traditions that emphasized economic egalitarianism in America are complex, but they are grounded in the critical turn in economic thought that sought to invent new arguments for economic laissez faire. In Europe, during the late nineteenth-century and early twentieth, an anti-Marxist discourse began to emerge around thinkers like Ludwig von Mises and Hayek which emphasized the liberalizing character of free markets and the fundamental irrationalism and a moral revulsion toward state intervention in the economy. The tropes of classical mechanics once again came to influence economic theory: the ideas of neoclassical economics are still replete with the ideas of “friction” caused by state institutions and vertical as opposed to horizontal institutions. But at the heart of the ideas behind the new laissez faire was a political and ethical theory that put primacy on the market as the only means to satisfy want and reward labor and this would become core of the new intellectual reorientation that would redefine the discourse on economic inequality.

Upon closer examination, the intellectual and philosophical roots of the return to laissez faire and the legitimization of economic inequality possess a fair amount of intellectual sophistication, delving into the epistemological as well as ethical concerns of individual knowledge and conduct. Well before the ideas of thinkers like Friedman and Hayek were to have influence, the ideas of economists like John Bates Clark and Frank Knight were laying a groundwork for what would become a libertarian economic and ethical framework which would overturn the legacy of the political ideas of a “socialized democracy.” For Clark, the key insight was that each factor of production—be it capital or labor—would, under the conditions of an unregulated and freely operating market, receive the proper and just returns to their input. Beneath what looked like a chaotic marketplace lurked a hidden logic that, when allowed to work unfettered of regulation and monopolistic distortions, would work “naturally” to produce efficiency and the just distribution of the fruits of difference kinds of “labor.” The ideas of the neoclassical economists would therefore seek to invest the market with an autonomous status with its own laws of operation and development.

In the early 1920s, in his *Risk, Uncertainty and Profit*, Knight put forth a comprehensive theory of laissez faire with the business entrepreneur at its center. The reason for this was what Knight saw as the inability of individuals in society to have absolute knowledge and information about the world and, therefore, about economic processes as well. Knight’s epistemological assumptions about subjective knowledge was central to his ethical justification for laissez faire and it allowed the doctrine as a whole to regain ascendancy in American economics and, in time, in political and social thought as well. Knight saw that the crucial flaw in the arguments for political

intervention in the economy revolved around the concern with *uncertainty*. Progressive and, in time, New Deal thinkers were arguing for the socialized management of the economy in order to limit what they saw as the excesses and inefficiencies of the market. But for Knight, their policies were plagued by what he viewed as their unscientific and, therefore potentially damaging, nature namely their idea of the relation between society and individual.

The very nature of human subjective experience was chaotic and in flux. Reaching back to the Hobbesian (materialist) and Lockean (empiricist) roots of epistemology, Knight began his analysis from the root of experience and knowledge itself. Human knowledge was grounded in the individual, in subjectivity and in the interaction between individual consciousness and nature. But since individuals could only ever know their own experience, it was always only partial and could never obtain objective knowledge about universals—whether about nature itself or about society. Uncertainty was the essential condition of knowledge, but it was most acute in modern industrialized societies. Possessed of a complex division of labor and a massive, nationalized market, producers were constantly faced with uncertainty with respect to what and how much to actually produce.<sup>9</sup> For Knight, the solution to this problem of uncertainty was the entrepreneur, the individual who faces risk and does so because of the possibility of reward but in the process is able to close the information gap of uncertainty by responding to market pressures and their consequences. It is the entrepreneur who is capable of holding economic organization together, ensure efficiency in the use of resources and, in the end, promote social progress. Despite the fact that Knight himself was skeptical of the market's ability to lessen inequalities and the fact that

his ethical beliefs were against economic inequality, the basic building blocks for a renewal of the attack on economic egalitarianism was already in the making.

In Knight's work, the central premise of a new economic outlook was being born. Since the social world—which for Knight was defined as a collection of individuals and not an entity in itself—could be coordinated by the market, it was an inherently more efficient system than socialism or any form of state capitalism. But the ethical basis for Knight's system was not Sumnerian in any way. What he sought to do was overcome what he saw to be the epistemological and sociological problem of the interaction between individuals in a state of advanced industrialism. The state of advanced capitalism was a fact not to be justified, but rather a phenomenon to be explained. For Knight, competitive societies did not rest on firm ethical foundations; in fact, he was skeptical of the ability of laissez faire economics to distribute wealth justly (from an ethical point of view he was a critic of economic inequality), but his philosophical ideas about the nature of society, mind and “uncertainty” led him to privilege economic laissez faire over socialism and other varieties of state and social interventionist models of the economy.

Knight's ideas were also reflected in Europe with the rise in Vienna of the Austrian School of marginal utility. Thinkers like Carl Menger, August Böhm-Bawerk, Mises and Hayek would be the most important names to emerge from this school, and their theoretical emphasis on a neo-Kantian conception of the individual—with consequences not all that different from what Knight had pointed out such as that of uncertainty, risk and reward—were instrumental in constructing a new theoretical approach not only to the economy, but to philosophy and politics as well. With their

emphasis on the “subjective theory of value” and the centrality of marginal utility, these thinkers would come to have a deep influence on economic discourse in the English-speaking world after fleeing Europe and taking up residence in England and America. It would be an important influence since its dual emphasis on the market and on the primacy of the individual would shape the American discourse on economic inequality, pushing the hegemony of Keynesian economics and state intervention to the periphery and creating, with thinkers like Milton Friedman and numerous others, a new libertarian social theory that would mark the intellectual climate of the late twentieth- and early twenty first-centuries.

The American tradition of *laissez faire* had been deeply discredited by the historical excesses and failures of capitalism from the late nineteenth-century through the Great Depression. The reality of economic *laissez faire* had given way to a moral and political discourse about the nature of American democracy during the Progressive era in large part because of the problem of economic inequality and the inability of intellectuals and ideologues of the time to bring together the realities of inequality and the social atomization that resulted from it and the ideas of democratic equality that were inherent in American political culture. The turn away from economic individualism was therefore a response to the growing problem that class society had posed to American political thought. But the resurrection of *laissez faire* found support as a response to the rise a fascism in Europe and then the solidification of the Soviet Union in the decades after the war. The Austrian School was instrumental in this regard; their approach to economic theory was extended by their social and political ideas all of which rested on a radical understanding of liberal individualism.<sup>10</sup>

But it was the emphasis on a new synthesis, that of liberalism and unrestrained capitalism, which would make the ideas of thinkers like Mises and Hayek so tempting to American thinkers and come to change the trajectory of American political thought on the subject of economic inequality in the late twentieth-century. It was Mises who, writing as early as 1927 in his book *Liberalismus*, made one of the first arguments for collapsing liberalism and capitalism into a unified system:

A society in which liberal principles are put into effect is usually called a capitalist society, and the condition of that society, capitalism. . . . [O]ne is altogether justified in calling our age the age of capitalism, because all that has created the wealth of our time can be traced back to capitalist institutions. It is thanks to those liberal ideas that still remain alive in our society, to what yet survives in it of the capitalist system, that the great mass of contemporaries can enjoy a standard of living far above that which just a few generations ago was possible only to the rich and especially privileged.<sup>11</sup>

This would become the standard argument in America decades later. Capitalism and liberalism were one because, as Mises, Hayek and others in their circle perceived it, both worked on the principle of free individualism which was, by definition, opposed to the rank and privilege of pre-liberal societies. But for Mises, capitalism was not a component of liberalism, it was the concrete application of liberal ideas and principles—where liberalism was truly put into practice, there you would find private property, a minimal state and unrestrained markets. This would be the beginnings of the later neoliberal ideology in the United States. In this sense, classical liberalism’s approach to the problem of equality was simple enough to understand: individuals were only equal insofar as they had the right to pursue the exercise of their own free labor—it was nothing more than a condemnation of involuntary servitude.

Classical liberalism—as opposed to what Mises saw as the distortion of liberal doctrines of equality that existed at the time, what he ironically termed “neoliberalism”—was therefore at one with capitalism since capitalism was simply the economic system that resulted from free labor, markets and private property. The illusion of equality outside of the legalistic conception of the individual and his right to property and free labor was not only an absurdity in terms of empirical fact, it was also regressive economically. Mises’ argument in defense of economic inequality would become standard credo, one that continues to dominate what we today refer to as “neoliberalism” in quite a different context. For Mises, inequality was a social good specifically because it created a dynamic, productive and creative society:

Only because inequality of wealth is possible in our social order, only because it stimulates everyone to produce as much as he can and at the lowest cost, does mankind today have at its disposal the total annual wealth now available for consumption. Were this incentive to be destroyed, productivity would be so greatly reduced that the portion that an equal distribution would allot to each individual would be far less than what even the poorest receives today.<sup>12</sup>

Capitalism—the application of true liberalism since it was the embodiment of individual liberty, choice and action—was the very engine of human prosperity and the real guarantor of human freedom. The concept of capitalism that began to emerge with the renewal of economic liberalism was that the market, capital, wage labor, the entirety of the system, was to be interpreted as a manifold, dynamic system of freedom and progress. The problems that capitalism had actually caused—whether it was a political society violently divided by class strife or the violent business cycles that caused unemployment and recession—were not of concern since such things were the result of the ignorance of what liberalism and capitalism actually were. Even the aristocratic wealth seen in during

the Gilded Age was also to be praised. “The luxury of today is the necessity of tomorrow,” and although it might seem ethically intuitive to despise the rich idler who does nothing for his wealth, “he sets an example of luxury that awakens in the multitude a consciousness of new needs and gives industry the incentive to fulfill them.”<sup>13</sup> Inequality was now being reinterpreted as a social good by redefining the classic examples of economic injustice as in the best interests of the public and of social progress.

It must be admitted that Mises’ book was radical for its time. The justification of economic inequality was not capable of generating a serious audience, but they were ideas and argument that would prove to have remarkable resilience as indicated by the fact that they would continue to be advocated and have influence decades later in the ideas of Hayek and Friedman, among other more contemporary conservative thinkers.<sup>14</sup> Indeed, the course of economic thought as well as social policy was moving toward Keynesianism for moderates and for radicals, socialism was still the politics of hundreds of thousands of workers. This was the reason for Mises overstating his case; but when *Liberalismus* was finally translated into English in 1962, Mises and his ideas were already gaining considerable ground intellectually and, in time, they would be part of a comprehensive new conservative economic doctrine that would come to influence social policy and political culture alike. Even more influential than Mises would be his younger colleague from Vienna, Hayek, who would make a firmer and more complex case for liberal capitalism and its logical and ethical primacy over all other forms of economic and social organization. In so doing, he would also shore up the case for economic inequality

under capitalism as a social virtue and as an attribute of social justice and of social progress.

For Hayek, just as it was for Knight before him, the argument for laissez faire and the need to reintroduce a cleaner, more precise conception of liberalism was undergirded by the reality of uncertainty and the fundamental inability of human knowledge to obtain anything more than the most partial truth. Hayek and Mises had both taken socialism as their common enemy and their arguments sought to prop up arguments for libertarian capitalism which would be grounded in the nature of human psychology and provide the most advanced system for an efficient, free form of social organization. Socialism rested on the false assumption that economic planning by a bureaucratic elite could have access to the totality of economic knowledge. Socialism was therefore plagued from an epistemological point of view and it was from this critique that the political and economic critique of socialism was waged and the case for radical liberal economic individualism was emphasized. The Austrian School had been characterized by, among other things, its emphasis on the subjective theory of value which argued that economic values were assigned not objectively—as in the labor theory of value—but by the subjective preferences and the value that individuals placed on a particular good. It was an extension of methodological individualism and, as Menger himself had said, “value does not exist outside of the consciousness of men.”<sup>15</sup>

This was at the heart of Hayek’s economic theory and his social philosophy as well. Just as Mises had argued in *Liberalism*, Hayek saw that “true” liberalism needed to be recovered and this meant, first and foremost, a recovery of the idea of the individual or

what Hayek would refer to as “true” individualism. By politicizing the economic sphere, the “social liberals” and social democrats—let alone socialists and communists—of the 1930s and 1940s had made exaggerated assumptions about the power of human reason and its ability to guide social institutions.<sup>16</sup> Hayek’s claims therefore would take Knight’s ideas about uncertainty and use it to justify a more comprehensive laissez faire doctrine. In his reading of western thought, Hayek wanted to show that thinkers such as Adam Smith, Bernard Mandeville and David Hume constituted an intellectual tradition which emphasized an essential truth of liberal individualism, namely that there exists “a constitutional limitation of man’s knowledge and interests, the fact that he cannot know more than a tiny part of the whole of society and that therefore all that can enter into his motives are the immediate effects which his actions will have in the sphere he knows.”<sup>17</sup> This would serve as the philosophical, ethical and psychological basis for the market. Since “society,” in this view, was little more than the assemblage of individuals, the random actions of this collection of individuals would create a spontaneous order, one that functions “without a designing and directing mind” and which rested on the sociological insight that “the spontaneous collaboration of free men often creates things which are greater than their individual minds can ever fully comprehend.”<sup>18</sup>

This philosophical assault on the economic and social policies of the age would not resonate for some time, but it would prove to be a rigid critique of egalitarianism. In the style of classical liberalism, Hayek sought to limit the scope of the state and to unleash the powers of the market. Drawing the line between economy and the state more deliberately than previous thinkers, Hayek did not simply resort to an ethical argument for laissez faire or a set of class interests or, as in Sumner, an out-dated conception of

social progress (e.g., Social Darwinism). Instead, his argument was grounded in the foundations of logical positivism and a liberalism which spoke to all as political equals. At the time this served as a counter argument to calls for socialism and communism based on the intellectual grounds of methodological individualism and classical liberalism. But it would also serve as the bedrock of a new assault on the evolving ideas of the welfare state and the new philosophy of social liberalism that had been emerging in the early twentieth-century, something that Hayek referred to as “unlimited democracy.” For Hayek, the distinction between equality before the law and other forms of equality—specifically economic or material equality—was the key to understanding how to move beyond, and more specifically against, the ascendancy and dominance of the welfare state. In the end, his arguments would not only become a new defense of inequality, it would also serve as a highly persuasive way of preserving a form of liberal political equality while simultaneously guarding against claims for social justice.

Hayek’s ideas about the market and its relation to state and society therefore shored up his notions about inequality and the ethics of distribution. Inequality was disparaged not simply because of the epistemological arguments that Hayek and Knight had put forth; there was an ethical argument that set the foundation for their ideas as well: namely that human freedom was equated with the absence of coercion. This would resonate with the libertarian strain in American economic thought and it would allow his work to become highly influential. His book *The Constitution of Liberty* would obtain manifesto-like status and it would become the intellectual touchstone for modern conservatism. His discussion of liberty and economic equality would also set the stage for contemporary understandings of the phenomenon—both popular and, in many cases,

academic and professional as well. The argument was not particularly original: since there was no way to argue for the “factual” equality between different individuals, any other form of equality outside of equality before the law was not only immoral and nonsensical, but also dangerous to the concept of liberty.

From the fact that people are very different it follows that, if we treat them equally, the result must be inequality in their actual position, and that the only way to place them in an equal position would be to treat them differently. Equality before the law and material equality are therefore not only different but are in conflict with another; and we can achieve either one or the other, but not both at the same time. The equality before the law which freedom requires leads to material inequality. Our argument will be that, though where the state must use coercion for other reasons, it should treat all people alike, the desire of making more people alike in their condition cannot be accepted in a free society as a justification for further and discriminatory coercion.<sup>19</sup>

The opposition between economic equality and liberty was necessary for Hayek since he thought that inequalities were generated by differences in ability and talent. It was a conception of inequality that ignored institutions and was both anti-sociological and ahistorical. Achieving economic equality—of even the most weak variety—would always entail coercion since it would always be necessary to take from those who have achieved and accumulated wealth and property and give to others. Economic equality was the result of envy, not a genuine political or ethical imperative for social justice. The desire for economic equality was the result of “factual” inequalities between individuals; and it was the fact that all people were different and hence unequal that, in countries with a liberal political framework guaranteeing equality before the law, economic inequality would be seen wherever true liberty existed. And the emphasis on liberty was not an end in itself. Rather, the emphasis for Hayek was—unlike thinkers of a similar vein like Friedman—on the implications it would have in liberating knowledge and the aggregate

social benefit that would accrue to all members of society, serving as a mechanism for social progress.<sup>20</sup>

Hayek examined what he saw to be the basis for the drive for economic justice. It was essential for him to point out that there was no objective mechanism that created inequality, only natural differences between skills, talents and rewards. Thus, the drive for equality was cast as a function of envy. Inequality was natural, and a truly free, liberal society would therefore need to not only tolerate inequalities in wealth and income, but also accept them as socially beneficial and an expression of a free society. But still, Hayek knew that drives for equality would persist, and part of his project was to explain this phenomenon. The problem, he argued, was in the perception of how merit was rewarded. There existed a moral objection “not to the bare fact of inequality but to the fact that the differences in reward do not correspond to any recognizable differences in the merits of those who receive them.”<sup>21</sup> But this was merely an error in perception. Reward, merit, were not to be seen in terms of what people have objectively done, it was the result of how another’s talents and skills were valued. The impulse for social justice, for equality in material and economic terms was therefore the result of not comprehending the real way that market society worked. It required that people understand that the market was not only a guiding force, but also unpredictable. In a free society there would be no injustice in the outcomes of market forces since all desired and valued skills and talents would be properly remunerated; and proper remuneration was a subjective, not an objective, phenomenon.

Hayek’s discussion of inequality and the mechanisms which produce it were therefore able to shift significantly the debate on economic and political affairs. With the

emphasis on the subjective notion of value, Hayek is able to see economic inequality as the product of “factual” inequalities, or real differences, between individuals.

Differences in income and wealth are the result of subjective preferences, not the result of institutions. The concept of “justice” itself can only apply to actions, never to systems or institutions. But by exempting institutions and processes from his analysis, Hayek’s ideas become blind to the actual mechanisms of inequality that had been identified by, and were the primary focus of, the critiques of inequality that had developed in American political thought. Looking back to the first radical critiques of inequality—with figures like Langton Byllesby, Thomas Skidmore, Orestes Brownson and others—the initial insight that drove the most robust critiques of economic inequality in American thought was that inequality was generated not simply by market relationships, but specifically by the new economic system itself and the way it shaped, indeed, distorted, previous market relationships. The problem was—as Marx would later identify the problem—institutional in nature; inequality was generated by the production process itself and not simply by differences in skill and ability.

By taking institutions out of his analysis of how inequality is generated, Hayek was able to sidestep the problem of how capitalism generates economic inequality. Indeed, it is important to point out that Hayek’s discussion of inequality does not mention capital at all or even wages. Instead, he investigates inequality ahistorically. By specifically avoiding the Marxian critique of the production process and the mechanisms of inequality that it generates, Hayek confined himself to “natural” differences between individuals and their subjective preferences, which themselves turned into values and prices. In further contrast to earlier critics of inequality in American political thought,

Hayek was able to wholly extricate the economy from politics, sealing off each sphere from the other. The argument for economic equality had always derived from the political principles of equality that had been articulated after the Revolution. They had a firm basis in an anti-aristocratic and anti-hierarchical conception of society that was being threatened by new forms of economic life and class differentiation. The character of such claims did not diminish as time went on, but with the renewal of the laissez faire project, the economy would not only be seen as separate from politics, it would also be theorized as the very source of liberty itself. Whereas, in the past, political ideas of equality and justice were seen as penetrating all dimensions of social life, the economy began to be seen as the source of liberty. Hayek was not alone in making this transition, but his ideas were central and influential in effecting a major intellectual shift in the ways that inequality would be viewed and the privileging of the economic sphere as the source of human freedom.

Although Hayek's influence would, in time, be without dispute, Milton Friedman's libertarian reinterpretation of liberalism, of politics and economics would have a much more pervasive effect and much deeper influence. With his renewed defense of capitalism and his staunch advocacy of laissez faire, Friedman would transform the discourse on economic inequality, pushing politics and economics further apart. Friedman was successful in integrating the laissez faire ideas that had been developing in American and Austrian economic thought and merging them with what he set out as traditional American understandings of equality, fairness and justice. In so doing, he would be one of the next great defenders of economic inequality, helping to pave the way for the intellectual and popular acceptance of economic hierarchy in

modern American thought and culture. At the heart of Friedman's analysis is the idea that the redistribution of incomes and wealth or property constitutes political coercion. What informs his analysis is the same basic argument that had been used by advocates of laissez faire throughout American political and social thought: that liberating markets will serve rather than undermine the public interest and individual freedom. For Friedman, this was a view that was informed by the notion that markets inherently disaggregate social power. Free markets in the context of competitive capitalism did not, as the critics of capitalism had always asserted, lead to an uneven distribution of social power; rather, free markets dispersed power and as a result, the connection between capitalism and freedom was clear. Free markets, capitalism, dispersed social power and they were therefore the foundation for the free individual and a free society.

By placing emphasis on the connection between liberty and markets while at the same time chastising the state for its intervention in economic affairs, Friedman was able to revive the radical dimensions of a new form of liberalism inspired by libertarianism. Just as Thomas Paine had focused on the division between society and government and the necessity of that separation for the purposes of individual liberty as a call for political liberty and political revolution, Friedman's ideas worked out a theory of society that would not only tolerate economic inequalities, but would also further marginalize the critique of capitalism as a system responsible for generating inequalities. In place of concerns for democracy and the public interest, Friedman's ideas grounded themselves in a utilitarian conception of the individual, reviving the kind of atomistic understanding of society that was at the heart of liberal philosophy from Hobbes to Locke. And just as Knight, Hayek and Mises had emphasized the notion of uncertainty and the subjective

theory of value, Friedman would bring this perspective to a new level of intensity. Attempts by the state to redistribute income and fight inequality rested on the false assumption that the state could even know what ethical categories such as “fairness” actually were; state policies would therefore always work against their own intentions and, in the process, continue to erode liberty.

“Fairness,” like “needs,” is in the eye of the beholder. If all are to have “fair shares,” someone or some group of people must decide what shares are fair—and they must be able to impose their decisions on others, taking from those who have more than their “fair” share and giving to those who have less. Are those who make and impose such decisions equal to those for whom they decide? Are we not in George Orwell’s *Animal Farm* where “all animals are equal, but some animals are more equal than others”?<sup>22</sup>

Friedman’s ideas were not new, they were synthesized out of the laissez faire liberalism that had been emerging throughout the early twentieth-century. By linking government to coercion, the assault on what Walter Weyl had referred to as America’s “socialized democracy” was being put into place. Friedman reinterpreted social life, and saw—as thinkers like Locke and Paine did to a certain extent as well—the market and private property as the foundation for individual liberty. Markets are non-coercive and cooperative at the same time. They reward individual labor and allow for the expansion of free choice. Free markets can and do produce inequalities, but the reasons for inequality are not to be found in what Friedman castigated as the “Marxist syllogism” where value and capital were seen as embodied labor. Inequalities were generated by the fact that different individuals have different preferences and make different choices in the face of risk, Friedman’s extension of Knight’s category of uncertainty.

Underpinning Friedman's analysis was the idea that distribution takes place "according to product." Since the "central principle of a market economy is co-operation through voluntary exchange," the market did not distribute goods and services, it allocated them based on how much each individual produced, how productive each individual was. It was not a question of "fairness" or justice since these were invariably political concepts that were applied to the market; the normative ideal was not equality of resources, but the efficiency of allocation. "Payment in accordance with product is therefore necessary in order that resources be used most effectively."<sup>23</sup> Payment in accordance with product was, for Friedman, "ethically fair" because it was reward or remuneration for activity, for production, mental or physical. In classical liberal style, Friedman saw that only through the voluntary exchange of the products of individual labor, can there be any semblance of political freedom. Capitalism unhinged from the interventionist state would therefore become the key philosophical and policy goal of this new brand of conservatism, one that would provide a broad justification for inequality as well as its effects.<sup>24</sup>

The justification for inequality was also based on the notion that inequality under capitalism was of a fundamentally different nature than that of non- or pre-capitalist societies. Just as Cooley had argued in the early years of the twentieth-century that classes in American society constituted a fluid, dynamic social order, Friedman argued that the kind of inequality produced by free-enterprise capitalism was not based on status or social rigidity. Social mobility was part of the essence of capitalism and it was this mobility that was part of the overall argument for the linking of capitalism and freedom; freedom was the result of the wide distribution of economic opportunity that market

capitalism fostered. Inequality in non-capitalist, non-market societies “tends to be permanent, whereas capitalism undermines status and introduces social mobility.”<sup>25</sup> Equality of opportunity was essential in this regard. Just as late nineteenth-century thinkers saw the importance of equality of opportunity—something they saw threatened by monopolization and the massive inequalities bred by industrialism—Friedman’s argument was well situated in the liberal tradition. Since his conception of freedom was so narrowly stated as the freedom to pursue one’s ends in market transactions, he could easily make his case that “[g]overnment measures that promote personal equality or equality of opportunity enhance liberty; government measures to achieve ‘fair shares for all’ reduce liberty.”<sup>26</sup> They reduce liberty because they act as frictive barriers on the free play of individuals to pursue their own ends while at the same time coercing others to distribute the reward of their product.

Inequality was also the price of efficiency. One of the key elements of the libertarian defense of markets was that although inequality was a product of actual differences between people with different skills and abilities who competed freely in a market place, the generation of inequality ought not to be the central concern. Just as Sumner had chastised the moralism of focusing on social inequality, casting it out into the abyss of historical irrelevance in a modern scientific and rational age, the new defense of inequality put forth by the libertarian vision rested on the idea that economic efficiency, in the long run, would relieve inequalities. Interpreting the long history of American economic development, to them, was enough to prove their theories correct empirically. Long run economic growth via capitalism had produced an affluent society. This emphasis on market efficiency would become a key component of the contemporary

inegalitarian tradition. By placing inequality in a subordinate position to other economic concerns such as efficiency and vesting markets with an autonomous logic not unlike a vast automaton, inequality ceased to be a direct product of the system of production and was relegated back to the more archaic discourse of “natural inequality.”

Friedman’s defense of social and economic inequality under capitalism was a vigorous assault on the social democratic tradition that was emerging in America in the early part of the twentieth-century. By emphasizing the idea of “distribution according to product” Friedman was able to reconnect the liberal notion of economic individualism that was predominant in the early republic with a libertarian economic framework, and it is here that the attack on the “social liberalism” of the Progressive and New Deal eras was most clear. Indeed, one of the core insights of figures such as Herbert Croly, Walter Weyl and Thurman Arnold and John Dewey, among so many others of the period, was that capitalism was an inherently imperfect economic system that was not in accord with the new philosophical understanding of political freedom emerging at the time nor with the tenets of what they interpreted modern democracy. The “social liberalism” that Dewey had advocated 30 years before Friedman’s most influential writings were published emphasized the democratic ideal as consisting not of naïve, egoistic forms of liberalism, but rather the need to see democracy as encompassing a form of economic democracy as well. These thinkers saw that capitalism created not only inequalities in wealth and material well-being, but in power relations as well. They saw that economic constraint was a key factor in limiting the advancement of democracy and in realizing a more just social order that was in accordance to what Croly had referred to as the “promise of American life.”

But the libertarian ideas of Friedman and Hayek as well as their various colleagues and disciples would radically reverse this reinterpretation of liberalism and reintroduce a more basic understanding of a liberal society structured by market relationships and atomistic individualism. Economic constraint was now seen as a fiction since workers and employers simply entered into contracts that were mutually voluntarily. It would introduce, to borrow a phrase from Arnold, a renewed “folklore of capitalism” that would legitimize inequality and put pressure on the state to recede from economic affairs, reinvigorating and redefining liberalism not as “social liberalism” but as the need to reduce the concentration of power.

A liberal is fundamentally fearful of concentrated power. His objective is to preserve the maximum degree of freedom for each individual separately that is compatible with one man’s freedom not interfering with another man’s freedom. He believes that this objective requires that this power be dispersed. He is suspicious of assigning to government any functions that can be performed through the market, both because this substitutes coercion for voluntary co-operation in the area in question and because, by giving government an increased role, it threatens freedom in other areas.<sup>27</sup>

This emphasis on individual liberty and the skepticism of the state would soon become an entrenched ideology; one that would dominate large segments of American political culture and transform the understanding of the politics of inequality.

The ideas of Friedman, as well as those of Hayek, and their numerous followers were the product of a prolonged reaction to the emergence of the welfare state and the radical turn in American institutions that it effected. Seeing the state and as anathema to human liberty, they saw not only in the behemoth Soviet state but in the modern welfare state as well the very antithesis of democracy, liberty and progress. The extension of state into the economic realm was, in this sense, one of the key transgressions that

classical liberalism had specifically denounced. The extension of political claims into the economic sphere would therefore become the very issue at debate as the twentieth-century progressed. The older ideas of inequality as arising out of the system of wage labor, which made equality of condition impossible, and then the impossibility of equality of opportunity as monopoly capitalism evolved with industrialism gave way to an altogether different explanation for inequality. Both Hayek and Friedman saw interpersonal differences in skills, talents and, at times, mere luck as the mechanism of inequality. They saw that natural—or as Hayek termed it, “factual”—differences between individuals as the groundwork for inequality in economic rewards and outcomes. But what they succeeded in doing was to take the emphasis off of the institution of capital, the unequal exchange between worker and capitalist and return the argument to one about the efficacy of markets and away from the economic constraints that capitalism as a system had always created.

The ideas put forth by figures such as Hayek and Friedman becomes even more important once we see them in the light of the older ideas about inequality that had developed in American thought. When viewed in the context of the long history of the egalitarian tradition in American political and social thought, it is clear that the move away from an immanent critique of capitalism as a system of production—rather than as a system of distribution—was the central pivot on which the recent shift toward justifying inequality turned. It was one thing to reject the Marxian-inspired critiques of capitalism, but it was quite another to move understandings of inequality away from being generated by the production process itself as the egalitarian critics of capitalism had done as early as the 1820s. The critique of inequality of the Jacksonian period had always emphasized

the fact that the relation between wage earner and owner produced inequality. Seen independently, and for most of them quite prior to, Marx's critique, it was not the market itself that produced disparities of economic power, it was the fact that a division between ownership and the working class was evolving. The modernization of economic life—the birth of modern capitalism—was the object of their critique. For them, inequalities in material terms would simply reproduce themselves, causing a process of cumulative causation from which individuals would be unable to escape, a road to serfdom of a very different kind.

Although the critiques of capitalism and of inequality had always been vibrant in American thought, the arguments in defense of capitalism, of laissez faire and of inequality itself had rested on the notion that progress had to come at the expense of equality and it was this emphasis on a sterile notion of progress which held the various arguments—from Hamilton through Sumner—together. The libertarian attack on the incipient social democratic tradition and institutions that had emerged with the New Deal and the expansion of the welfare state cast its argument in a very different guise. Now it was freedom itself that was offered by embracing inequality. Class divisions were simply a mythology since inequality had to be viewed on an inter-personal basis and not as a function of asymmetrical power divisions. Inequality in economic terms was no longer seen to have political implications; the market had to be depoliticized, and this had become the task of the intellectual defenders of capitalism and freedom. The older anti-aristocratic discourse that had been vibrant throughout the nineteenth-century—and which had slowly taken the form of a radical movement against class inequality by the

early twentieth-century—had dissolved into a radical vision to liberate the market from the shackles of state intervention and, in so doing, liberating individuals as well.

Redefining the idea of economic inequality and the mechanisms of its growth was also dependent on reconceptualizing the relationship between freedom and economic life that Progressive and New Deal era thinkers had advocated. The central insight of those that advocated state intervention in the economy was that corporate capitalism produced excesses of inequality—of economic condition, of opportunity and political power. They saw that only the state could steer economic activity toward the national interest and away from the plutocratic tendencies of the late decades of the nineteenth-century. Implicit in this was the notion that the freedom of individuals, which they saw to be the political and ethical project of American politics, rested not simply on what we know as “negative liberty”—as classical liberalism had essentially held—but on positive liberty as well. This idea followed from the realization that political equality and individual freedom rested not simply on the removal of what Hayek referred to as the “coercion of some by others,”—i.e., on the arbitrary external restraints placed on the individual and his actions and decisions—but on the context in which that individual was placed.<sup>28</sup> Friedman also emphasized that a transformation of the liberal discourse—from its classical to its social form—had taken effect since “[t]he catchwords became welfare and equality rather than freedom. The nineteenth-century liberal regarded an extension of freedom as the most effective way to promote welfare and equality; the twentieth-century liberal regards welfare and equality as either prerequisites of or alternatives to freedom.”<sup>29</sup>

Of course, the social liberalism of the early twentieth-century had emphasized welfare, security and equality not as moral ends in and of themselves but as means to a more complex, more nuanced conception of human freedom and agency. The experience of laissez faire capitalism had shattered the confidence in the naive assumptions of classical liberalism. The realities of capitalism and the ravaging effects of industrialism in the nineteenth-century had shown that the doctrines of laissez faire did not benefit prevailing notions of the public good and instead caused class antagonism and social fragmentation. The workers' movement of the late nineteenth- and early twentieth-centuries had sought to deal not only with issues of wages and economic interest, but also with despotic working conditions as well.<sup>30</sup> Bringing the state in to regulate economic affairs was therefore more than a concern with wages and economic distribution; it was also a matter of the way everyday life had become structured by capitalism and industrialism. By replacing the assumptions of classical liberalism—a political doctrine that had largely matured before the evolution of modern capitalism—Hayek and Friedman put forth a notion of liberty or freedom which had effectively shed the notion that was being theorized by the thinkers of the 1930s that a certain degree of material equality was needed for democracy.

This new face of the inegalitarian tradition in American political and social thought resurrected the spirit of thinkers as diverse as Hamilton, Calhoun and Sumner. But even though the intellectual ideas of laissez faire and libertarianism were gaining ascendancy during the Cold War years, it would not be until the 1980s and 1990s that a new conception of inequality in American political thought would firmly take hold. There is little question that these ideas that redeemed capitalism and brought its mythic

status back to life were also deeply concerned with differentiating the western, but more specifically American, economic system from Communist command economies. If the economic egalitarian tradition in American politics culminated in the formation of the welfare state it must be remembered that it also spawned a liberal-capitalist consensus which preserved capitalism as an economic system, but with serious political safeguards on its excesses.

### **Redefining and Reorienting American Democracy**

This renewed ideological orientation merging liberty with markets would have a profound political and cultural impact on American democracy. The reorientation and redefinition of American democracy consisted of the turn away from what John Dewey had referred to as the “social liberalism” that was required for the modern age and back toward the individualistic liberalism that had become intellectually and morally suspect through the Progressive and New Deal eras. But the new intellectual apparatus that was constructed over the course of the post-war period in the universities would find an elective affinity with the economic and geographical shifts that were overtaking the nation. The intellectual apparatus that had been slowly but definitively forming in the work of Knight, Mises, Hayek, Friedman and many others soon would come to dominate almost every domain of social policy debate. It would emerge also as a reified understanding of the American economy, its culture and its self-consciousness. The reorientation of American democracy away from the expanded conception that was put in place with the New Deal and the social welfare state and the redefinition of American

democracy away from the ideals of economic citizenship and toward a reliance on market processes and the celebration of capitalism would come to pass.

The intellectual ideas developed by those supporting *laissez faire* and libertarian economics remained on the periphery of policy making in the United States until the last two decades of the twentieth-century. How these ideas—which were, in effect, highly theoretical and essentially out of step with the culture of the liberal-capitalist consensus that had dominated American political and economic life since the beginning of the New Deal—came to gain primacy and hegemony is one thing; how they nested themselves in the cultural fabric of American politics and political culture is something else. The broad-based support for an ideology of inequality in contemporary America begins with this strand of economic and social thought and its legacy has been a reorientation of American democracy and political life. The notion that ideas alone were responsible for the various shifts in the discourse on economic inequality throughout American history is patently untrue. New forms of consciousness and political culture arise from changes in institutional arrangements and shifts in economic life. Of course, ideas inform and legitimate these aspects of social and political life, but it is only when a hegemonic system of ideas is melded with new forms of material life that a decisive change in political thought and culture is effected. Ideology is important, but ideas still need to have some kind of material base for them to achieve dominance and influence the direction of social and political life as well as institutions.

With this in mind, it is important to investigate how the transformation of capitalism impacted the evolving discourse of economic inequality in American political thought and political culture as well. With the sudden shocks of deindustrialization in the

1970s, the upward mobility of the traditional, white working class and the emergence of post-industrial forms of working life, the very culture of work was dissolving traditional forms of class identity. Labor market segmentation, the explosion of suburbanization, the weakening of labor unions and labor's power to bargain for more equal pay and the loss of any kind of political control over the market and the workplace, as well as a growing acceptance of consumerism and the depoliticization of the American electorate all contributed to a general acceptance of economic inequality and its effects. In addition to this, class dissent had also been largely muted due to the rise of the administrative welfare state which regulated the dissenting interests of the poor and working poor, steering their interests away from political demands for radical social, political and economic changes.<sup>31</sup>

Indeed, after 1980, the doctrine of economic inequality would become a major feature of American political and social thought as well as in American popular consciousness. But this was not the result only of a changed ideological course. Indeed, reaction against the New Deal and the social democratic project that was set in motion in the 1930s and early 1940s was under attack from its inception. Also, thinkers like Mises, Hayek, Friedman and others saw themselves as part of an intellectual tradition of "philosophical radicalism" that had its beginnings with thinkers like Bentham, Smith and Hume as well as the democrats, classical liberals and utilitarians in the eighteenth-century.<sup>32</sup> More importantly, they saw their ideas as resting dually on both scientific research into human psychology, market processes and what they viewed as the pernicious result of collectivism and state intervention. Little was mentioned about the impact that economic inequality had on social cohesion, political democracy or

disparities in quality of life. Even less was mentioned about the ways that interests—something that is wholly lacking in the discourse of the defenders of inequality—would affect politics and the distribution of power. And even though the empirical evidence has been clear for decades, the orthodoxy of the libertarian position stubbornly persists even as inequality worsens when economic growth has surged.<sup>33</sup>

In another sense, the rise of the new doctrine can be seen as the result of the shift from political to economic preoccupations. Mainstream economics had become, with its methodological modernization and its turn toward a new degree of scientific rigor, a discipline that was no longer concerned with how economic systems distributed power. The economic egalitarian tradition in American political thought had always linked economic power with political power and it was one of the crucial elements of thinkers like Mises, Friedman and Hayek that they shifted concerns with power back onto the state and its monopoly on power and coercion. Perhaps even more remarkable was the way in which they seemingly ignored the growing concentration of monopoly capital as American capitalism continued to centralize and make competition in many industries—such as technology, chemicals and heavy production—increasingly scarce.<sup>34</sup> But libertarian ideas began to take on ethical primacy while at the same time becoming economic orthodoxy and this would prove to be a crucial turn in the evolution of the American confrontation with economic inequality.

Shifts in American society, its economy and culture had much to do with forming fertile soil for these intellectual ideas allowing them to harden into a new variant of the politics of inequality. The economic improvement that American working people experienced during the first two decades after World War Two was significant in

alleviating the older class antagonisms. Union power was at its peak during those years and working people were able to extract higher wage rates from capital. The class antagonisms that had plagued American society throughout the previous 50 years began to erode. Inequality was diminishing and an “affluent society,” characterized by consumerism and overall secular economic growth, began to emerge. But despite this, it was becoming painfully clear that urban poverty was a serious social problem and that the inequality between racial groups was acute. This gave rise to new ideological arguments about social mobility. But empirically, it was becoming evident that inequality was more complex than had been previously believed. Differences in skill sets, or human capital, it was said, were key to understanding why certain groups were unable to escape certain income brackets giving way to “dual” or “segmented” labor markets.<sup>35</sup>

In addition, as urbanization trends reversed and suburbs began to expand, the economic and racial divide between urban and suburban regions began to grow.<sup>36</sup> Inequality therefore began to take on spatial and racial overtones. Whereas social stratification throughout the industrial era was fixed and centered largely in urban and industrial centers, today inequality between suburbs—themselves of very different economic resources—and inner city areas which are, by and large, in economic decline, has created what Douglas Rae has called a “segmented democracy” where spatial, racial and class differences reinforce one another.<sup>37</sup> This in turn has led to what Ian Shapiro has called “physical gulfs” between income groups where the “segregation of the have-nots from the haves in capitalist democracies is real and increasing.”<sup>38</sup> Deindustrialization would have a major impact on the formation of classes in America and transform the way

that economic life was perceived by its participants.<sup>39</sup> As industrial society moved toward postindustrialism, breaking down older class and occupational structures and replacing them with high-tech, information and service jobs, the perception of fluid social mobility looked ever more persuasive.<sup>40</sup>

But even as economic inequality began to surge and the actual power that working people had within their places of work began to erode throughout the 1970s and 1980s, politically, it has been largely absent from the American political discourse. What the intellectual project of libertarian thinkers such as Mises, Hayek and Friedman had set upon was now fast becoming an acceptable explanation of the trends of American economic life. Their explanations of inequality were, however, deeply flawed. Although it has always been difficult, if not impossible, to deny interpersonal differences, what had actually caused inequalities was a combination of the weakening of labor's power in the market accompanied by the shift from industrial to post industrial forms of economic organization. The weakening of labor unions and the lack of new forms of worker organizations to fill the gap left by the decline of the older order of union organization was paramount in giving employers more power over the ability to set wages. As industrial jobs dried up and moved overseas, the service sector jobs that came to take their place were less generous in their wages as well. These were indeed the structural elements which led to the new material context for the acceptance of the liberal economic theories laid out during the Cold War.

What the libertarian ideas of the twentieth-century did achieve, however, was not only the decontestation of the market as an institution but the decontestation and depoliticization of work and economic life more broadly. And it is here that we can see

an important shift in the politics of inequality in American political thought and political culture. The origins of the concern with economic inequality in American history were not simply with its abstract political implications—as in the discussions of Adams, Hamilton, Madison and Jefferson, among others, for instance—but also in concerns with the way that economic life—the way that each individual lived everyday life and had to make his living—was a lived experience, a political experience of power relations. The labor radicals of the Jacksonian era who launched the egalitarian critique of capitalism, such as Byllseby and Skidmore, among so many others, saw the problem as—in addition to the older fear of the creation of a new aristocracy—the loss of equality in everyday life, i.e., in the workplace itself.<sup>41</sup> The emergence of the system of wage labor in the antebellum period was creating the foundations for a new kind of relationship between those who worked and those who owned; and it was seen as eroding the political ideas that underpinned America's republican democracy. In fact, throughout the nineteenth-century all the critics of inequality saw that inequality was overturning the values of liberty and leading to social dissolution and fragmentation.

These are dimensions of inequality that have been lost from view as economic liberalism has rooted itself within contemporary American political culture. The ideological arguments of laissez faire capitalism and the libertarian link between free markets and political freedom have meshed with the transformation of American capitalism to provide a new, broad based justification for economic inequality, severing the link that the long discourse on economic inequality in American political thought had always asserted between inequality, freedom and democracy itself. Studies focusing on the American attitudes toward inequality show a broad consensus even as they differ on

details.<sup>42</sup> Inequality is accepted and tolerated largely because of a dominant liberal ideology that has been able to justify the notion that inequality of outcomes is still a result of a fair distribution of opportunity.<sup>43</sup> And the appearance transformation of American capitalism from an industrial to a postindustrial context has seemed to justify this. What has been called the “logic of opportunity syllogism” which states that an inequality of economic outcomes is acceptable since it is broadly perceived that “opportunity for economic advancement based on hard work is plentiful.” This dominant ideology—one framed and made more enduring by the intellectual ideas that have linked markets with democracy and justified the logic of markets as inherently fair based on the liberal principle of equality of opportunity—has also made the majority of Americans skeptical of redistributive programs which “are perceived as unnecessary because the stratification system currently presents ample opportunity to better oneself by individual efforts.”<sup>44</sup>

The ideology of liberalism had therefore succeeded—within the new economic context of postindustrial, service-oriented capitalism—to cement the notion that equality of opportunity was the only kind of equality that was “fair” in economic terms. Elites who had previously been skeptical of the ability of capitalism and market institutions to create equal conditions and equal opportunities—such as in the shadow of the Great Depression and the Keynesian revolution that followed—had given way to a new generation of intellectuals and policy makers who openly embraced more liberal and even libertarian economic ideas.<sup>45</sup> Confidence in markets and in capitalism itself were renewed, along with the acceptance and proliferation among the intellectual defenders of inequality of the subjectivist notion of economic individualism put forth by neoclassical economics generally and more forcefully by thinkers like Mises, Hayek and Friedman.

This perspective relativizes the material importance of wealth by arguing that there is no way to compare the interpersonal utility of wealth, for example, or inequities of income or property. Since no one can actually know, let alone measure, the differential in utility between two individuals of unequal wealth, redistribution becomes even less valid on moral, political and legal grounds, as Richard Epstein argues in his defense of inequality, “Against Redress”:

Clearly no social ruler (pun intended) lets us know with certainty that wealth is worth more in the hands of a poor person than in the hands of rich person, so the determined economist can shipwreck the case for wealth transfers from the start by denying the possibilities of interpersonal comparisons of utility. I can assert that wealth is worth more to the poor person than to the rich person; you can deny that proposition. The rich person might use the next dollar to complete work on an invention that will improve the lives of others. The poor person might squander it on a drinking binge. We have no way of knowing if wealth is more useful to a poor than a rich person.<sup>46</sup>

Inequality has therefore become a permanent and largely accepted feature of the social topography of modern American political and social life. Through the ideological changes in the ideas Americans have had about economic inequality, its sheer existence and magnitude, its causes and its implications, the liberal economic ethic that had dominated American beliefs about equality had been transformed into a justification for inequalities of outcomes. It may be that Americans know that inequality has worsened and that it is, in fact a bad thing; and they may indeed also be opposed to the idea that the wealthy pay less than their “fair” share of the tax burden. But in the end their alienation from broader issues of public policy and broader public concerns and material interests—resulting from an atomized liberalism that emphasizes narrow, misinformed self-interest—tends to weaken political awareness of regressive public policies that increase

inequality.<sup>47</sup> Whereas the notion of an equality of opportunity was the basis of the liberal economic ethic in the eighteenth-century, it had always been seen that equalities of opportunity would translate into a rough equality of condition. Differences between different skill sets and abilities would have different economic outcomes, but still it was assumed that equality of opportunity would lead to roughly equal outcomes. It was only with the emergence of capitalism and economic modernity—the decline of autonomous producers and the rise of wage labor and factory production in the early nineteenth-century—that it would become clear that equality of opportunity in the face of wage labor and capital would be impossible.

But in modern American economic life, the myth of equality of opportunity has once again made a resurgence. It has changed attitudes toward inequality, making it not only more acceptable overall but legitimizing it as the result of the fair operation of markets. The reaffirmation of a liberal society has also meant the devaluation of the public sphere and the notion of the public or social nature of the individual. Markets can have effects only for individuals; they no longer impact communities. Costs are seen in terms of individual costs, not as social costs. Poverty is rarely seen as the result of cumulative causation, but as the result of paucity of effort or laziness. Many Progressive and New Deal theorists and policy makers of the early twentieth-century saw that a modern conception of democracy required a transformation of the older, classical liberal theories about society and individualism. This reorientation of democracy moved previous understandings of liberal individualism toward a richer conception of democracy; one that incorporated the economic sphere as an aspect of full democratic citizenship. The return to the framework of classical liberalism in the late twentieth-

century and the entire program known today as “neoliberalism” has therefore created a barrier to glimpsing the political dimensions of economic inequality.

This renewal of the ethos of classical and libertarian liberalism has been at the core of the redirection of American democracy. Since the degeneration of social liberalism in the 1970s, spurred on by the intellectual project of thinkers such as Hayek and Friedman, American democracy has reverted back to an atomistic conception of liberalism which has decontested the market and led to an overall acceptance of economic inequalities. Indeed, the complexities of economic inequality in America—from its racial or spatial correlates to its effects on quality of life and educational attainment—require attention.<sup>48</sup> The critics of economic inequality, from various political orientations and historical periods, were consistent in linking inequality of economic outcomes with the demise of democratic life and politics. They were consistent in their emphasis on the connection between material inequality and political equality as well. These notions have been radically reversed. The toleration and acceptance of economic inequality in contemporary America—something that has baffled many political analysts—has been the result of both the persistence of a liberal economic ethic which has placed emphasis on individual effort and opportunity over structural concerns and the actual mechanisms of inequality and its transformation. The political dimensions of economic inequality have been masked by this transformation of liberalism. For an aversion to economic inequality to once again enter into the mindset of American politics, its political consequences will need to be made clear. Only by looking back through the egalitarian tradition that was so deeply rooted in American political thought will this new critique ever become possible.

Notes

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- <sup>1</sup> Finis Welch, "In Defense of Inequality," p. 1 *American Economic Review*, May 1999, vol. 89 no. 2.
- <sup>2</sup> For a discussion of the crisis of New Deal liberalism, see Alan Brinkley, *The End of Reform: New Deal Liberalism in Recession and War*, pp. 15-30 (New York: Vintage, 1996).
- <sup>3</sup> See Bruce J. Schulman, *The Seventies: The Great Shift in American Culture, Society and Politics* (Cambridge: Da Capo Press, 2001). For perspectives on this phenomenon from the point of view of political economy, see Larry Sawers and William Tabb (eds.) *Sunbelt/Snowbelt: Urban Development and Regional Restructuring* (New York: Oxford University Press, 1984). Also see Peter Trubowitz, *Defining the National Interest: Conflicts and Change in American Foreign Policy* pp. 169-234 (Chicago: University Press of Chicago, 1998).
- <sup>4</sup> Kevin Phillips, *The Emerging Republican Majority*, (New Rochelle, NY: Arlington House, 1969).
- <sup>5</sup> John Kenneth Galbraith, *The New Industrial State* p. 398 (Boston: Houghton Mifflin, 1967).
- <sup>6</sup> Lizabeth Cohen, *A Consumers' Republic: The Politics of Mass Consumption in Postwar America*, p. 9 (New York: Knopf, 2003).
- <sup>7</sup> Paul Krugman, "For Richer: How the Permissive Capitalism of the Boom Destroyed American Equality," *New York Times Magazine*, October 20, 2002.
- <sup>8</sup> For a discussion, see Thomas Frank, *One Market Under God: Extreme Capitalism, Market Populism, and the End of Economic Democracy*, pp. 1-50 (New York: Doubleday, 2000); and Bruce J. Schulman, op. cit. pp. 102-120.
- <sup>9</sup> For an important discussion of Knight's ethical and economic ideas, see Sherryl Davis Kasper, *The Revival of Laissez-Faire in American Macroeconomic Theory: A Case Study of the Pioneers*, pp. 7-28 (Cheltenham, UK: Edward Elgar, 2002).
- <sup>10</sup> The evolution of libertarian and laissez faire ideas within European social and economic thought in the late nineteenth- and early twentieth-centuries cannot be fully investigated here. For a discussion, see Lorenzo Infantino, *Individualism in Modern Thought: From Adam Smith to Hayek*, pp. 100-131 (London: Routledge, 1998).
- <sup>11</sup> Ludwig von Mises, *Liberalism: A Socio-Economic Exposition*, p. 10 (Kansas City: Sheed Andrews and McMeel, 1978 [1927]).
- <sup>12</sup> *Ibid.*, p. 31.

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<sup>13</sup> Ibid., pp. 32-33.

<sup>14</sup> See Finis Welch, op. cit for an excellent summary of this position in a more contemporary context.

<sup>15</sup> Carl Menger, *Principles of Economics*, p. 121 (New York: NYU Press, 1950).

<sup>16</sup> For a discussion of Hayek's ideas about epistemology, see John Gray, *Hayek on Liberty*, pp. 1-26 (Oxford: Blackwell, 1985) as well as Sheryll Davis Kasper, op cit. pp. 46-53.

<sup>17</sup> Friedrich Hayek, *Individualism and Economic Order*, p. 14 (Chicago: University of Chicago Press, 1948).

<sup>18</sup> Ibid., p. 7.

<sup>19</sup> Friedrich Hayek, *The Constitution of Liberty*, p. 87 (Chicago: University of Chicago Press, 1960).

<sup>20</sup> For a discussion of Hayek's ideas in this regard, see Kenneth R. Hoover, *Economics as Ideology* pp. 203-218 (Lanham, MD: Rowman and Littlefield, 2003).

<sup>21</sup> *The Constitution of Liberty*, p. 93.

<sup>22</sup> Milton Friedman, *Free to Choose*, p. 135 (New York: Harcourt Brace Jovanovich, 1979).

<sup>23</sup> Milton Friedman, *Capitalism and Freedom*, p. 166 (Chicago: University of Chicago Press, 1982).

<sup>24</sup> For an important discussion, see Stephen Eric Bronner, *Ideas in Action: Political Tradition in the Twentieth Century*, pp. 55-67 (Lanham, MD: Rowman and Littlefield, 1999).

<sup>25</sup> *Capitalism and Freedom*, p. 172.

<sup>26</sup> *Free to Choose*, pp. 134-135.

<sup>27</sup> *Capitalism and Freedom*, p. 29.

<sup>28</sup> See Hayek's discussion of liberty in *The Constitution of Liberty*, pp. 11-61.

<sup>29</sup> *Capitalism and Freedom*, p. 5.

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- <sup>30</sup> For an important discussion, see Karen Orren, *Belated Feudalism* (New York: Cambridge University Press, 1991).
- <sup>31</sup> The classic analysis of this phenomenon remains Frances Fox Piven and Richard A. Cloward, *Regulating the Poor: The Functions of Public Welfare* pp. 248-340 (New York: Pantheon Press, 1971).
- <sup>32</sup> For a classic analysis of the ideas from this period, see Elie Halévy, *The Growth of Philosophic Radicalism*, (Boston: Beacon Press, 1960). For a specific discussion of the utilitarian and liberal theories that thinkers such as Hayek and Friedman invoke, see pp. 120-150.
- <sup>33</sup> For a discussion, see Charles Noble, *The Collapse of Liberalism*, pp. 14-18 (Lanham, MD: Rowman and Littlefield, 2004).
- <sup>34</sup> For an important discussion, see John R. Munkirs, *The Transformation of American Capitalism*, pp. 8-50 (Armonk, NY: M. E. Sharpe, 1985).
- <sup>35</sup> See Bennett Harrison and Andrew Sum, “The Theory of ‘Dual’ or Segmented Labor Markets,” *Journal of Economic Issues*, vol. xiii, no. 3, 1979 and Dahlia Moore, *Labor Market Segmentation and its Implications: Inequality, Deprivation and Entitlement* (New York: Garland Publishers, 1992).
- <sup>36</sup> For a discussion, see Lizabeth Cohen, op. cit., pp. 200-256.
- <sup>37</sup> Douglas Rae, “Democratic Liberty and Tyrannies of Place,” in Ian Shapiro and Casiano Hacker-Cordón, (eds.) *Democracy’s Edges* (New York: Cambridge University Press, 1999). Also see Thomas Sugrue, “The Structures of Urban Poverty: The Reorganization of Work and Space in Three Periods of American History,” in Michael B. Katz, (ed.) *The Underclass Debate* (Princeton: Princeton University Press, 1993). For more on inequalities within urban areas, see Lawrence D. Bobo (ed.) *Prismatic Metropolis: Inequality in Los Angeles* (New York: Russell Sage Foundation, 2000) as well as Alice O’Connor, Chris Tilly and Lawrence D. Bobo (eds.) *Urban Inequality: Evidence from Four Cities* (New York: Russell Sage Foundation, 2001).
- <sup>38</sup> Ian Shapiro, “Why the Poor Don’t Soke the Rich,” p. 123, *Daedalus*, winter 2002.
- <sup>39</sup> For recent perspectives on deindustrialization, see Jefferson Cowie and Joseph Heathcott (eds.) *Beyond the Ruins: The Meanings of Deindustrialization* (Ithaca, NY: ILR Books, 2003). Also Barry Bluestone and Bennett Harrison, *The Deindustrialization of America* (New York: Basic Books, 1982).
- <sup>40</sup> For an important discussion, see Stanley Aronowitz, *How Class Works: Power and Social Movement*, pp. 23-37 (New Haven: Yale University Press, 2003) as well as C. Wright Mills, “The Sociology of Stratification,” pp. 305-323 in Irving Louis Horowitz

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(ed.) *Power, Politics and People: The Collected Essays of C. Wright Mills*, (London: Oxford University Press, 1967). Also see the important analysis by Sheldon Danziger and Peter Gottschalk, *America Unequal* pp. 124-150 (Cambridge: Harvard University Press, 1995).

<sup>41</sup> See the discussion in chapter three of the present work.

<sup>42</sup> The most important of these studies include: Herbert McClosky and John Zaller, *The American Ethos: Public Attitudes Toward Capitalism and Democracy* (Cambridge: Harvard University Press, 1984); Sidney Verba and Gary R. Orren, *Equality in America: The View from the Top* (Cambridge: Harvard University Press, 1985); James R. Kluegel and Eliot R. Smith, *Beliefs about Inequality: Americans' Views of What Is and What Ought to Be* (New York: Aldine de Gruyter, 1986); and Jennifer Hochschild, *Facing Up to the American Dream: Race, Class, and the Soul of the Nation*, (Princeton: Princeton University Press, 1995). Also see Nathan Glazer, "On Americans and Inequality," *Daedalus* 132, 2003 and Robert J. Samuelson, "Indifferent to Inequality?" *Newsweek*, May 7, 2001.

<sup>43</sup> See McClosky and Zaller, op. cit. as well as Samuelson, op. cit.

<sup>44</sup> James R. Kluegel and Eliot R. Smith, op. cit. pp. 5-6. As Stanley Aronowitz has acutely observed concerning this same theme: "[M]any Americans take 'equality of opportunity' literally. They believe that being born poor or working class is not economic destiny, that with a combination of luck and hard work . . . they can get rich or at least achieve economic security." *How Class Works*, p. 15.

<sup>45</sup> For a discussion of this change in macroeconomic thought, see John N. Smithin, *Macroeconomics after Thatcher and Reagan: The Conservative Policy Revolution in Retrospect* (Aldershot, UK: Edward Elgar, 1990).

<sup>46</sup> Richard A. Epstein, "Against Redress," p. 45 *Daedalus* winter, 2002.

<sup>47</sup> Larry Bartels refers to this narrow, misinformed self-interest as "unenlightened self-interest." See his "Homer Gets a Tax Cut: Inequality and Public Policy in the American Mind," *Perspectives on Politics*, vol. 3, no. 1, March 2005.

<sup>48</sup> For an important analysis, see Leslie McCall, *Complex Inequality: Gender, Class and Race in the New Economy* (New York: Routledge, 2001).

## **CONCLUSION**

### **Restating the Case for Equality**

The confrontation with economic inequality in American political thought has been complex. As a political tradition, it put forth an interpretation of inequality that has been delegitimized and forgotten. The tradition did not recognize an absolute separation between economic and political power. Rather, it saw the effects of inequality not only in economic terms, but in political terms, emphasizing the loss of freedom that accompanied the redistribution of social power as a result of economic disparities. This is the very crux of the tradition, and it grounds a much broader political project: the elimination of hierarchical forms of social and political power and the realization that political and social freedom are inherently connected. Politically, the idea of economic inequality was associated with other forms of inequality and servitude. Economic inequality was therefore not simply an extended discussion about the “fairness” of distribution as it is so often referred to in contemporary debates; rather it was a distinct political category which was associated in the minds of most Americans with dependency, servitude and unfreedom.

Economic inequality challenged not only the prevailing assumptions of autonomy, self-sufficiency and liberty, it also ran counter to the republican themes that emphasized the importance of the free nature of civil society and the state. Republican institutions had always been characterized as those which would guarantee that social and political power not be used to for the benefit of the few at the expense of the whole and that individuals would be protected from the randomness of power exercised by others. Through an emphasis on the dangers it posed to the “public good,” inequality was also

seen as having the capacity to distort political power and redirect the activities of the state and society toward the ends desired by smaller factions. If the liberal economic ethic that was so important in the formation of American social and political thought emphasized the centrality of the labor theory of value and property and the negative freedom of non-interference, then the republican elements of this tradition emphasized the category of citizenship and the rights of a citizen of the political community to be free from the domination and servitude of others and to rid society of stratified forms of power and hierarchies which had characterized older societies from ancient Egypt through the English monarchy. This was not a tradition that carried on in some abstract political discourse through the centuries; it was one that confronted interests, material forms of social power and concrete political problems. It was not an absolute or communistic form of egalitarianism that was sought by most of the critics of inequality in American thought, but an emphasis on equality as a means to true political freedom and the absence of unequal power relations in every sphere of life.

Highlighting the fact that the concern of this tradition was not with a crude form of leveling, but an antipathy toward social fragmentation and the emergence and solidification of economic and social hierarchy is important because it frames the calls for equality and the critique of inequality that existed throughout the development of American political thought is especially important in the contemporary context. The prevailing conservative view that dominates contemporary discourse is that the concern with equality was always historically a function of the jealousy of the “have-nots” and that it should be seen as little more than a moral pleasantry and, even worse, a social scientific anachronism. Since the concern of this tradition was rarely, if ever, with

utopian ideals of social equality, but with a rage against the political and social implications of inequality, we are in a better position to argue for the relevance of this tradition for contemporary affairs than we might at first realize.

The political dimensions of economic inequality are essential. What is interesting about the American discourse on economic inequality was the way that the boundaries between political and economic life were in fact not at all firm. Disparities in economic power were interpreted as disparities in social and political power as well. There was no confusing the matter of how social and individual freedom would become endangered: once certain individuals or segments of the community obtained unequal power over others, this would be the beginning of the end of any kind of democratic republicanism and therefore any real sense of political freedom. Feudal institutions were still palpably felt by early American citizens and their approach to economic inequality was influenced by their opposition to social hierarchy and their hatred of inequality and despotism. But this is precisely the political impulse which has been lost in contemporary American political thought. When applied to the way that economic inequality is now understood and debated, it becomes clear that the split between economics and politics which American liberalism has always held obfuscates the deeper political significance of economic inequality. This is something that the older critics of economic inequality in America knew all too well, and something which needs to be recovered if a new and critical discourse on economic inequality is to emerge.

The historical trajectory of this political discourse in American thought was consistent in arguing for the elimination of economic disparities and the connection between the effects of unequal wealth and political power. Stemming from both classical

and modern sources, the concern with inequality was deeply entwined with the concern for political freedom since the biggest threats to freedom were seen as the emergence of a new aristocracy of wealth on the one hand and the loss of any real possibility for economic autonomy on the other. What informed the early period of the discourse was a dual concern with both liberal and republican themes and it was the potency of this fusion that had much to do with the early radicalism of the egalitarian tradition. The liberal economic ethic sought self-sufficiency and autonomy in order to fight servitude in economic affairs. It was republican in its characterization of civil society and public institutions, and privileged public welfare over the interests of the few. Within the context of a pre-industrial economy, this would prove a rich ideological source to counter economic inequality in the early republic.

But as capitalism developed and transformed American economic and social life, the political assumptions and arguments which buttressed liberalism began to erode and it would become—as an economic ethic—a degenerated argument for possessive individualism and for inequality as well. The economic egalitarian dimension of the liberal tradition has slowly exhausted itself. The reasons need to be seen not simply in the reaction to the welfare state that became ascendant in the late 1970s and 1980s and which still persists. There has been a transformation of the political and economic ethic in American political culture. It is a transformation that has moved popular ideas about economic and political life away from the radical concerns of equality and freedom that characterized the egalitarian tradition. It has reinterpreted liberalism as a purely economic doctrine, replaced concerns for self-sufficiency with that of self-interest, and castigated the role of the state in the economy as backward and even authoritarian. The

link between economic equality and freedom has also been seriously reworked. Whereas the backbone of the egalitarian tradition was its emphasis on the way that economic inequality forged relational networks of servitude and dependence as well as the corruption of the public welfare, the contemporary discourse on economic inequality—specifically since the 1980s—tells Americans something quite different: that capitalism and equality of opportunity are essentially the same and that liberty in economic terms is equivalent to political liberty as well.

It is for this reason that this study focused on the history of the idea of economic inequality, on a political tradition as it was articulated in American political thought and social criticism by thinkers who saw the economic system as moving against the imperatives of equality and liberty that they saw lying at the heart of the American political project. My assumption throughout this analysis has been that ideas inform and legitimize institutions; that they shape the way that political reality is perceived. Ideology is something that can support or erode the institutional realities of social life and it is for this reason that the political tradition of economic egalitarianism that was foundational to the understanding of the American political project since its inception needs to be reinterpreted and revived. If the implications of economic inequality were seen in explicitly political terms, it was because inequality was seen as a threat to republican values: to a harmonious political and social life which was characterized by the absence of domination and servitude. Economic life was always intertwined with the political life—if individuals were dependent upon others, they would, as Jefferson rightly saw, become subservient to them as well. This is the crucial lesson which must be drawn from the history that I have sketched in these pages: namely, that for the contemporary

discourse on economic inequality to have any real impact, it must revive the political interpretation of economic class that the American egalitarian tradition put forth. It must reconceptualize class divisions as crystallizations of social power and must argue that policies and steps toward economic equality are steps toward a more robust conception of political democracy and the expansion of social and individual freedom.

Conservative economists continue to argue the merits of inequality and the actual scope of its economic effects. But the central concern ought to be political rather than economic in nature. The liberal economic ethic that was dominant throughout the eighteenth- and early nineteenth-centuries has been stripped of its political force. Liberalism as a doctrine no longer possesses an intellectual or political affinity with civic republicanism as it did in the first century of American political thought and culture. The economized conception of liberalism that predominates in American political culture still focuses on the idea of individual liberty, but in negative terms and its justification for possessive individualism in the context of a market society has led to the justification of inequality. This is why liberalism is insufficient as a foundation for stating the case for economic equality. Liberalism's emphasis on individual freedom and the absence of external constraint made perfect sense for a political project bent on combating feudal social arrangements and pre-liberal social norms and institutions (everything from racism to sexism and the like). But it has been unable to combat the problem of class and economic inequality simply because liberalism—as an economic ethos—has come to privilege possessive individualism over its previous thrust of economic autonomy. The labor theory of property was a radical one in a feudal economic context. Its emphasis on individual labor and the freedom to exchange without the interference of the state was an

expression of anti-authoritarianism in the face of feudal and mercantilist institutions, assumptions and ways of life.

As the evolution of the economy moved toward modern capitalism, the political thrust of the liberal economic ethic, once a radical one which aimed to erode hierarchical divisions of power, would lead toward a reconciliation of capital and labor. To be sure, the radical nature of the egalitarian critics of the early nineteenth-century in America rested on an understanding that the new institutions of capitalism would corrupt the ability of the liberal economic ethic to operate properly since capital could only accumulate more for itself by living off of the labor of others. The radical egalitarian critics were unable to stop the transformation and modernization of American capitalism, but their critique still harbors within it a radical message for today: namely that the lens of liberalism is unable to argue for a sufficient understanding of economic equality. Liberalism has become a justification for American social stratification simply because capitalism is no longer viewed as the generator of inequality; rather, it is seen that natural distinctions of talent, skill, intelligence, etc. within the context of a “free” market are responsible for market outcomes.

This transformation of liberalism that began with thinkers like Mises, Hayek and Friedman was viewed by them not so much as a transformation but rather as a restoration. These thinkers saw their ideas as reinvigorating the authentic tradition of classical liberalism: the minimal state, non-interference of the individual and economic affairs, a firm separation between economy and polity, and, most importantly, the connection of these attributes with what they saw as “true” liberty. What they achieved was an economization of liberalism which gutted the Lockean-inspired ideas of the eighteenth-

century and early nineteenth-century critics of inequality of its political implications. Unlike the critics of inequality during the early republic and Jacksonian periods, the liberal economic ethic now serves to promote and justify inequality rather than critique it. The reason for this has been the transformation of the economic context: whereas an economy based on small-scale production, agrarianism and localized economic life could utilize the labor theory of value and property as a tool to promote equality, from the industrial period onward, this kind of economy has been thoroughly replaced by one characterized by wage labor and the unequalizing effects of capital. The older ideal of the liberal economic ethic has turned into a narrow individualism which largely eschews the public good and puts emphasis on economic logic over that of collective public good. We are therefore left with a situation where inequality can be justified even by the very people who suffer worst from its consequences.<sup>1</sup>

This transformation of liberalism is central to the explanation of the decline of the egalitarian tradition in American politics. The narrow, libertarian understanding of liberalism—with its emphasis on negative liberty and hedonic utility maximization—has become the staple of a consumerist culture with its post-industrial work culture and an anomic division of labor. The reification of a market society has pushed politics to the periphery of everyday life, and, as a result, the implications of economic inequality becomes less visible. Of course, the reality of the way that the welfare state was perceived during the late 1970s and 1980s persists: as an institution that fosters dependence rather than a culture of work, and so on.<sup>2</sup> But it is not simply a reaction against the legacy of New Deal liberalism and the Great Society that we are dealing with, but a deeper transformation of the American liberal tradition itself, its depoliticization

nature and its turning away from its former civic republican context. Indeed, there should be no mistaking the fact that the civic republican dimensions of American political thought emphasized a different understanding of human and political freedom than is commonly understood today simply because the antipathy to hierarchy and inequality was so intense.

Indeed, the way that liberalism was reassessed by the Progressive and New Deal thinkers was crucial for effecting a major reorientation of American democracy. For the first time, the idea that had been in the minds of many during the revolutionary period that political equality and economic equality were seen as mutually reinforcing concepts was revived and brought to bear on modern capitalism. The traumatic experience of laissez faire policies and the brutal effects of industrialism and inequality during the late nineteenth-century had taken their toll and the turn toward the state as the proper arbiter for a complex, developed national economy was seen as obvious. The “social liberalism” of the early twentieth-century saw democracy as extending deep into the sphere of economic life. A new sense of public interest was initiated and the emphasis on politics over that of the market made sure that economic ends served the public interest and not the interest of capital alone. All of this has been reversed by the libertarian transformation of liberalism. Even though the liberal economic ethic placed primary emphasis on the idea of individual effort as the source of all legitimate wealth and property, it was within an economic context that precluded corporations and the legal protection of accumulated property and profit that was not in fact garnered from one’s own labor. In this regard, the production process of modern capitalism was seen for what it was: the theft of labor from laborers for the sake of profit. Inequality was the result of

the corruption of the liberal economic ethic, not its realization. By recasting the liberal economic ethic in its libertarian form, liberalism has become little more than an apologia for economic inequality. Inequality is now justified as the outcome of differentials in effort and talent rather than as the result of institutional mechanisms inherent in the production process itself.

It is for this reason that restating the case for economic equality requires a transcendence of the political limitations of modern American liberalism and the kind of political, economic and cultural ethos that it has unleashed. Whereas in the past, liberalism in America was able to expand political equalities in the face of entrenched irrational traditions and anti-liberal doctrines and institutions of slavery, Jim Crow and the denial of women's rights, it has shown itself to be consistently ineffectual in maintaining any real, enduring condition of economic equality or to make a coherent case for its moral justification in the face of its detractors. What needs to be reclaimed is the political emphasis on the idea of economic inequality as the starting point for disparities in relations of social and political power. The concerns of equality, the antipathy toward hierarchies and, most importantly, the concern with the absence of domination, is what informed the critics of economic inequality throughout American political thought and it is this interpretation of economic inequality that needs to be privileged.<sup>3</sup> Indeed, the earliest American thinkers and writers on the topic also shared this concern, but it was largely a speculative and, indeed, theoretical enterprise. Once the intensification of capitalism began to set in, once individuals began to lose economic autonomy and the reality of class hierarchy became evident, then did the problem of economic inequality

begin to evolve as a distinct political discourse within the broader framework of American political thought.

The concern with republicanism is important, in this regard, because it provided thinkers with the appropriate normative framework through which to judge the evolving economic divisions and the budding aristocracy of wealth that was emerging. Although its most immediate concerns were with the elimination of patterns of social, economic and political life such as kinship relations and patronage that were remnants of the older, quasi-feudal social and economic order inherited from Europe, the main thrust of the republican sentiment in American political thought was the thorough elimination of all forms of servitude and domination.<sup>4</sup> And it is important to note that up until the late nineteenth-century, the liberal economic ethic and these republican sentiments were part of the same project. Today, however, liberalism—as applied to the realm of the economy and property—has lost its ability to argue against the effects of capitalism, inequality and the conditions of the workplace. It is not simply that capitalism has become ascendant, it is also that American liberalism has accepted much of capitalism’s effects. Liberalism’s emphasis on individual labor, property right and its individualistic conception of liberty has melded with the consumptive ethic of late capitalism. Inequality has therefore become not a social concern, one that touches on the very character of political life, it has become the very result of the liberal economic ethic, a renewed state of nature patterned by the “natural” outcomes of the market. The diminution of inequality as a problem that touches on more than economic concerns is one of the casualties of the modern transformation of liberalism.

Placing the argument against economic inequality in its proper historical context is therefore important. Although the critics of the early nineteenth-century assailed the emerging institutions of banking and capitalist wage labor, their concern was with economic autonomy: with the ability of individuals to be free from the arbitrary exercise of power that owners and employers could exert on them and to lead a self-sufficient economic life free from dependence and servitude. This was the impulse that informed the critique of inequality, and its political implications still have importance in an age where working people—of all varieties—have less control over their workplace and their economic future. As these radical critics of inequality saw it, there was no simple separation between political and economic equality; the crude distinction would have been rejected because of its implausibility, but also because the economic sphere was interpreted as a distinct sphere of power, not a neutral mechanism of distribution and production. The emphasis on republican themes is therefore not anachronistic; if liberalism now provides a justification for individualistic economic life, republican themes can shed light on different aspects of social power and inequality.

Economic inequality therefore constituted a transgression of fundamental political principles for most of American political thought in the sense that the common weal was being subordinated to the interests and the benefit of the few. The connection between political principles and economic conditions was something that many of the early thinkers that form America's egalitarian tradition privileged. They saw that the very conception of citizenship—broadly defined as the participation in the political community and the political rights that it bestowed—was put at risk once the maldistribution of material forms of life worsened. They may not have given voice to the

conditions of slavery in the South and they were indifferent to the inequalities brought about by a gendered division of labor. Stephen Simpson's line from 1831 that America's political and social experiment had discovered that the real ends of government were to "secure the happiness of the many instead of ministering to the benefit of the few" was an expression of this sentiment, but it also spoke to the way that economic inequality would be interpreted as going against the broader ideas of equality that American political thought had at its very core.<sup>5</sup> The critique of economic inequality was therefore intimately bound up with broader conceptions of social and individual equality and freedom; with the ways that working people and their employers related to one another; the various opportunities that were becoming less and less available to them as a distinct social class; as was the ability to live a life of economic autonomy rather than servitude. This concern was not liberal in the narrow sense that we understand it precisely because it was concerned with more than an ideal of negative liberty, or of non-interference. These thinkers saw—as did the republican theorists throughout western thought—that non-interference was not equivalent to eliminating forms of domination.<sup>6</sup> This is why the radical critics of the early nineteenth-century as well as the moral critics many decades later saw the problem in institutional terms. The concerns of political freedom (theorized as the lack of domination) were therefore intricately involved with the concern with economic inequality.

The liberal-republicanism of the critics of economic inequality therefore saw freedom not simply in individual terms, but in social terms as well. They saw the importance of patterning institutions so that inequality would not arise since economic inequality gave rise to dependence, servitude and the corruption of the very moral basis

behind the politics of America's republican enterprise. This was evident in the concern of the radical critics with the problem of wage labor and the new institution of capitalism that was emerging during the early nineteenth-century. It was a concern not simply with the problem of inequality, but that the institutions of society that were generating these inequalities were rendering the capacity for individual freedom nearly impossible.

Although it is certainly true that the fight for legal rights on the part of working people took the form of liberal arguments against a "belated feudalism," it is equally important to see that as a tradition, as a critical political discourse, the critique of economic inequality in American political and social thought was dominated by the republican idea that freedom was not possible in mere individualistic terms, that it required more than an equality of opportunity, but also the elimination of institutions that were transforming economic life, that the very social and political context was being remade by the forces of capital. In contrast to the liberal vision, the republican idea of equality and freedom saw political and social freedom more in terms of the elimination of institutions that would interfere with the freedom of individuals and the arrangement of institutions so that domination and interference of individual freedom was eliminated. Even more, they were able to see the political implications of inequality in the ways that perverted power relations would unduly affect the public good, steering democratic institutions away from their universalist ends.

The kind of republicanism that was imbued in the views of the critics of economic inequality throughout the nineteenth-century saw economic inequality not as the result of merit and reward, but as the result of the emerging economic institutions of capitalism. Inequality was produced by a new economic aristocracy, and as inequality grew, the

disparity between the relations of power between workers and capitalists would continue to broaden. The emergence of the wage system was particularly problematic not only because it would create a new form of economic servitude—something that the critics of inequality had seen the Revolution as eliminating—but because, as an institution, it was creating an unequal society based on the unequal division of property and wealth rather than one based on merit and reward. There were no illusions about what capital actually was and what its effects would be. The republican themes of this critique were essential because it enabled egalitarian critics to view inequality not as a phenomenon of interpersonal differences, but as an institutional phenomenon that was intimately tied to the politics of human liberty.

This is why it is essential to bring the debate about economic inequality back to the very foundations of the egalitarian tradition itself. In its twentieth-century guise as Weyl's "socialized democracy" and Dewey's "social liberalism," modern interpretations of republican themes privileged the public interest over that of individual interests and a conception of the public good over that of economic hedonism. What they saw as "chaotic individualism" needed to be countered by the institution of the state; the market, the economy, was being revealed for what it was just as it had been in ancient Athens thousands of years before: as an institution that would atomize society and dissolve the cohesiveness of the political community. Even further, they were able to link this to concerns for social justice and a project of deepening democracy itself. It was a project that defined laissez faire ideology as anti-democratic and anti-modern. The success of the libertarian attack by those like Hayek and Friedman therefore brought the narrow, "classical" liberal doctrine into ascendance over these republican-inspired themes. The

curious balance or fusion between liberalism and republicanism that characterized American political thought from its inception has become inordinately biased toward liberal ideas of property, accumulation, individualism and self-interest.

Whereas liberalism was utilized by radicals in the nineteenth-century as a means to argue for economic equality, its reliance on the notion of individual labor and the possession of the fruit of one's labor has become the obstacle to arguing for economic equality in the modern political context. Outside of the agrarian economic framework within which it could exert radical influence, it has become—in its own way—the defense of economic divisions. No longer are CEOs and bankers seen as idlers living off the labor of working people. Today the reification of the economic system has placed economics over politics; it has collapsed ethics into interest and it has denatured the idea of public goods to the most menial and insignificant institutions and services. The earlier connection that was seen between political rights and economic realities has been lost. Liberalism's atomism, its inability to conjure up a notion of political goods as superseding the individualistic economic interests of social actors has resulted in the fragmentation of a public sphere that is cracked by economic divisions.

The historical and intellectual arc that has been sketched in this study should be seen in its entirety, as an arc that has seen the rise of the American egalitarian tradition, its fruition and, in the end, its exhaustion and defeat. The concern for economic inequality no longer looms as an important issue in American culture or American political thought. Even among workers and the working poor, the injustices of inequality continue to take their toll, but there has been an erosion of the ideas and values that once informed their opposition. And although this study has also sketched an inegalitarian

tradition in American political thought—beginning with thinkers like Hamilton through Sumner, Hayek and Friedman—it is not so much the victory of this discourse over the egalitarian discourse that is important as the way that liberalism has become predominant over the older republican-inspired themes that, in my view, explains this shift away from concerns with economic equality.

The struggle for economic equality has been weakened by a gradual acceptance of liberal capitalism. The way was paved by the broader turn toward classical liberalism in nineteenth-century American political thought would serve to attenuate the critique of inequality in the sense that it would steer American political thought toward being more tolerant of capitalism and its effects. It would also give more weight to the anti-egalitarian tradition by legitimating an apolitical conception of the market and the economy; a conception that would mature into a broader ideological attack on the modern welfare state and dilute the egalitarian tradition, all but stopping it in its tracks as the twentieth-century came to a close.

Apologists for laissez faire and libertarianism have become very influential in the closing decades of the twentieth-century. Their ascendance was not due to the fact that they appealed to an outright justification of inequality—as Hamilton and Sumner had—but because they emphasized a split between the spheres of politics and economics. The liberal doctrine that they developed—based on “classical liberalism” and its utilitarian presumptions—articulated a doctrine of an “equal right to be unequal” in the sense that equality was to be restricted to equality before the law, leaving the effects of the market essentially unchecked by any form of political regulation. Even more, they were able to collapse what they referred to as “economic liberty” into political liberty itself. This is a

discourse that has not only become influential in the United States, but has also gripped much of Europe as well.<sup>7</sup> But perhaps most importantly of all, it has sunk deep into the fabric of American political culture serving as a justification for economic divisions and a new economic hierarchy.

Renewing the claim for economic equality therefore requires not a reinvention of liberalism but rather a renewed emphasis on the republican themes that dominated the calls for social equality throughout American social history, most specifically the elimination of institutions that were fostering inequality, such as capital itself. It requires that the emphasis on class hierarchy and its ability to distort democratic politics at multiple levels be made apparent and its political effects—perhaps more than its moral implications—be brought to the forefront. There is no question that liberalism has been able to make serious gains in the areas of race and gender; but the problem of class and economic power persists; and, in many ways, this is the result of the predominance of liberalism over the republican themes that inspired the anti-hierarchical impulses of the radical critics of economic inequality.

Part of the reason for this is the way that economic institutions have shaped political interests and the way that institutions in America were shaped to protect property rights and the ability to accrue property and wealth at the expense of the broader interests of the political community. But the other component to this explanatory tale is the realization that American liberalism and its insistence on the individual and Natural Rights grounded in property acts as a consistent counterforce to the more radical impulse toward social equality that served as the intellectual and moral backdrop throughout American egalitarian tradition. Indeed, it should be remembered that the arguments of

almost every thinker who worked within the inegalitarian tradition in American political thought were never against political equality and the equal application of the rule of law to all individuals. The problem has always been how to argue for equality in the face of individual claims to property and the vestiges of the liberal labor theory of property. This was, to be sure, something that the egalitarians saw as central to their argument against the rise of economic modernity; but it is also important to see that this persistence of the liberal economic ethic would come into conflict with the republican themes of equality and its emphasis on the abolition of domination, institutional and otherwise.

Contemporary events give evidence to these broad claims. The new inequality in America has effected a radical change in the course and direction of American democracy. From the spread of regressive tax policies at national and state levels to the deregulation of business and the defunding of social welfare programs, the assault on economic equality has been pervasive and intense. Economic inequality needs to be seen as more than a moral dilemma over competing conceptions of “fairness.” It structures power relations in the sphere of everyday life; it consigns segments of the population to destitution and servitude; and it enhances the asymmetrical power relations that distort electoral politics, the activity and function of the media as well as redirect the goals of social policy toward the interests of business away from the broader needs and interests of the public. American political thought was characterized by its critique of these themes and a push for a substantive form of social equality. This study has outlined how the ideas of economic inequality and equality were conceptualized, how they were enlisted to criticize the prevailing institutions of the time and how they were consistently informed by the project of realizing equality. Taking lessons from the insights that this

tradition put forth as well as learning from its political impulse is therefore central to restating the case for equality and re-igniting the critique of the “new inequality.”

The effects of economic inequality are by no means simple to define—they reach into very subtle nuances of everyday life. But there should be no mistake about what the central concern should be: that the failure of the American struggle for economic justice—most obvious in the last quarter century—has been the result of the collapse of the political. Unlike other areas of social life—from race, gender, and now sexual orientation—political liberalism has been unable to overcome inequalities of class precisely because it has been unable to locate the very mechanism of inequality itself: that capitalism and “free” markets generate inequalities from the very nature of the production process itself and that an “inalienable right” to property—as unequally distributed as it is in modern capitalism—needs to be held accountable to democratic or public ends. Indeed, this was pointed out by the earliest American critics of economic inequality and it is something that ought not to be lost in contemporary considerations on the subject.

Although the specific fears of social dissolution and tyranny that the western tradition and early American thinkers possessed may not be on the horizon in the near future in the United States, it should be clear that contemporary inequality, and the transposition of the ideas of liberty and freedom to mean mainly economic freedom and liberty, has led to a society of dependence. The economization of American society has resulted in the forfeiture of political principles to economic ones. American thought has always been based on economics. The political ideas of liberty and equality were fundamentally bound to the material referents of property and labor. These material

extensions, if you will, of those concepts buttressed political concepts. But now, it is the political concepts that buttress the economic ones.

Much of the problem with the liberal assault on economic inequality is that it was never able to grasp the mechanisms of inequality. The focus on redistribution was often made by the egalitarians. John Pickering advocated a radical redistribution of equal shares of property and Henry Demarest Lloyd argued a similar program. But even they were unable to see that inequality was not simply the result of privilege or monopoly power. Without question, the anti-aristocratic impulse that stood behind these radical critiques was unable to see that inequality is endemic to market systems and that it is the capitalist production process itself that is the engine for inequality. However, the early labor radicals from Langton Byllesby to Orestes Brownson and John Pickering saw capitalism in those terms, and their critique was motivated by what they saw as the corrosive effects of these new economic arrangements on the kind of economic life that, in their view, was constitutive of the political ideals of equality, justice and liberty. It was motivated by political concerns and not by ideological ends that were imported or derived from non-American sources. And this is significant since it was the political impulses of the American republican tradition—its resistance to hierarchy, its hatred of servitude and the political importance it placed on the equal dignity of individuals in the face of oppressive and exploitive social relations—that inspired the critique of inequality and sustained the discourse for well over a century as capitalism continued to mature and develop.

The kind of economic individualism that has evolved in contemporary political, economic and social thought has eroded the foundations for the kind of intellectual,

political and moral assault on economic inequality that marked most of American history. This move has been the result of a certain triumph of economic liberalism. What is curious is that American tradition of criticism has become largely mute. The persistence of inequality is not simply the result of economic factors. The moral critics of inequality knew all too well in the late nineteenth-century, although this has been lost on contemporary thinkers, that only a consciousness of the political dimensions of economic divisions can lead us to glimpse the full implications of inequality's effect on political freedom. This was, to be sure, inspired by the requirements of social welfare and the democratic principles of an egalitarian social order that were influenced by Enlightenment ideas countering hierarchy, and privilege, but it was also motivated by what we now call the republican themes that emphasized a very different understanding of equality, which was fearful of the fragmentation of the public sphere that would result from economic divisions of power. Restating the case for economic equality therefore requires that we look back to the political dimensions and implications of inequality itself, to resurrect the political project that once pervaded the minds of the American critics of inequality and their radical emphasis on freedom as the absence of inequality. Only then will a renewed egalitarian project become possible, resurrecting the political spirit of the past within the possibilities of the politics of the present.

Notes

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<sup>1</sup> Thomas Frank seeks to analyze this problem as well in his *What's the Matter with Kansas?* (New York: Metropolitan Books, 2004).

<sup>2</sup> For a discussion about the turn away from inequality as a concern in modern American politics, see Jeff Madrick, "Inequality and Democracy," in George Packer (ed.) *The Fight Is for Democracy* (New York: Harper Perennial, 2003).

<sup>3</sup> For a discussion of this aspect of republicanism in early American political thought, see Gordon Wood, *The Radicalism of the American Revolution*, pp. 95-145 and 169-189 (New York: Vintage, 1991). For a discussion of republican ideas among the early working class movements, see Sean Wilentz, *Chants Democratic: New York City and the Rise of the Working Class, 1788-1850*, (New York: Oxford University Press, 1984) as well as Ronald Schultz, *The Republic of Labor: Philadelphia Artisans and the Politics of Class, 1720-1830*, New York: Oxford University Press, 1993).

<sup>4</sup> It is important to note that Karren Orren argues that it was in fact liberal ideas which served to attack pre-liberal institutions in the workplace. See *Belated Feudalism: Labor the Law, and Liberal Development in the United States* (Cambridge: Cambridge University Press, 1991).

<sup>5</sup> Stephen Simpson, *The Working Man's Manual: A New Theory of Political Economy, on the Principle of Production the Source of Wealth* p. 138 in Joseph L. Blau (ed.) *Social Theories of Jacksonian Democracy* (Cambridge: Hackett Publishing, 2003).

<sup>6</sup> For an excellent theoretical and historical discussion of this theme, see Philip Pettit, *Republicanism: A Theory of Freedom and Government* pp. 51-110 (Oxford: Oxford University Press 1997).

<sup>7</sup> See Gilles Leydier, "Dimensions of Inequality in French and British Political Discourses Since the Early 80s," in John Edwards and Jean-Paul Révauger (eds.) *Discourse on Inequality in France and Britain*, (Aldershot, UK: Ashgate, 1998).

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