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# Introduction

**Stephen Macedo**

The two lectures that are the centerpiece of this volume call for a radical rethinking of the relationship between private enterprise and the freedom and dignity of workers. They describe—in broad but vivid brushstrokes—a centuries-long decline in free market progressivism. They argue that, from the time of the English Civil War, in the mid-seventeenth century, to Abraham Lincoln, two hundred years later, there were good grounds for optimism about the capacity of free markets to promote equality of status and standing. That optimism gave way—with the Industrial Revolution, and for reasons described later—to pessimism concerning rising inequality and domination in the workplace. As opportunities for self-employment declined drastically, workers had fewer alternatives to managers' arbitrary and unaccountable authority. The breadth of that authority is extremely wide, leaving workers vulnerable to being fired for speech and conduct far removed from their workplaces. Today's free market thinking—among scholars,

intellectuals, and politicians—radically misconstrues the condition of most private sector workers and is blind to the degree of arbitrary and unaccountable power to which private sector workers are subject.

Just how this happened is the subject of Elizabeth Anderson's important and timely Tanner Lectures on Human Values, first delivered at Princeton University in early 2014. Anderson is one of the world's foremost political philosophers: the author of widely influential books on *Values in Ethics and Economics* (1993) and *The Imperative of Integration* (2010). Among her many articles, the pathbreaking "What Is the Point of Equality?" (1999) shifted the attention of social philosophers beyond a sole focus on inequalities in material distribution toward equality in social relations. Professor Anderson's long-standing concerns with social equality of authority, esteem, and standing are at the center of this book.

The two lectures are followed by four pointed commentaries originally delivered, and revised for publication, by eminent scholars who draw on their expertise in history, literature, political theory, economics, and philosophy. The volume ends with Professor Anderson's response to the challenges of her critics.

The remainder of this introduction offers a brief overview of each of these contributions.

In her first lecture, Elizabeth Anderson argues that free market political and economic theory—nowadays associated with libertarians and the political right—originated as an egalitarian and progressive agenda: from the Levellers in England in the seventeenth century through the American Civil War, "market society" was often understood "as a free society of equals." Anderson ably sketches the highlights of the free market egalitarianism of the early modern period, focusing on the Levellers, John Locke, Adam Smith, and Thomas Paine, among others.

Economic liberties and free markets were opposed to social hierarchies in the economy, politics, religion, society, and the family. As she nicely summarizes:

Opposition to economic monopolies was part of a broader agenda of dismantling monopolies across all domains of social life: not just the guilds, but monopolies of church and press, monopolization of the vote by the rich, and monopolization of family power by men. Eliminate monopoly, and far more people would be able to attain personal independence and become masterless men and women.

It was only in the nineteenth century that free market thinking drifted away from its earlier egalitarian moorings. Following Paine, free market thinkers increasingly regarded the state as an abuser of power in the name of special interests. The other cause was the Industrial Revolution.

In the seventeenth and eighteenth centuries, thinkers such as the Leveller John Lilburne and the great political economist Adam Smith assumed that free men operating in free markets would be independent artisans, merchants, or participants in small-scale manufacturing enterprises. Smith's "pin factory"—which illustrated the division of labor—had ten employees. Thomas Paine and the American Founders, who favored economic as well as political liberty, assumed that the bulk of the population would be self-employed. In late eighteenth- and early nineteenth-century America "free market wages were high" given "chronic labor shortages," and "self-employment was a ready option for nearly all" white men. Thus, it made sense to equate economic liberty, free markets, and independence.

Free market egalitarians of old were, moreover, far from doctrinaire libertarians in their policy proposals. Many, like

Smith and Paine, advocated public education, and Paine “proposed a system of universal social insurance, including old-age pensions, survivor benefits, and disability payments for families whose members could not work,” as well as a universal system of stakeholder grants.

Summing up the free market egalitarianism of the seventeenth to the mid-nineteenth centuries, Anderson observes that

Smith’s greatest hope—the hope shared by labor radicals from the Levellers to the Chartists, from Paine to Lincoln—was that freeing up markets would dramatically expand the ranks of the self-employed, who would exercise talent and judgment in governing their own productive activities, independent of micromanaging bosses.

The Industrial Revolution dramatically altered the assumptions upon which free market egalitarianism had rested. “Economies of scale overwhelmed the economy of small proprietors,” and “opportunities for self-employment shrank dramatically.” It “dramatically widened the gulf between employers and employees in manufacturing,” and, in addition, “ranks within the firm multiplied.”

The radical changes wrought by the Industrial Revolution for most workers, and the consequent mismatch between free market theory and reality, gave rise, says Anderson, to a “symbiotic relationship between libertarianism and authoritarianism that blights our political discourse to this day.”

In her second lecture, Anderson advances her central and most arresting claim: that the modern industrial firm amounts to a system of arbitrary and unaccountable “private government” and “dictatorship”:

Most workers in the United States are governed by communist dictatorships in their work lives. Usually, those dictatorships have the legal authority to regulate workers' off-hour lives as well—their political activities, speech, choice of sexual partner, use of recreational drugs, alcohol, smoking, and exercise. . . . [M]ost employers exercise this off-hours authority irregularly, arbitrarily, and without warning. . . . [O]nly about half of U.S. workers enjoy even partial protection of their off-duty speech from employer meddling.

Anderson argues that private government exists when people are subject, in some part of their lives, to authorities that can order them around and impose sanctions for noncompliance. In the workplace, moreover, governing authorities have arbitrary and unaccountable power over workers. Libertarians and free market economists and politicians wrongly equate “freedom” with private enterprise, ignoring the reality that for most workers, employment in large firms brings with it subjection to arbitrary power that extends beyond their work lives. Anderson insists that most Americans and many others radically misunderstand the nature of liberty and its opposites: domination and dictatorship. Just as the security of private property depends upon a strong state, so too do many forms of freedom.

Current theories of the firm help explain why large-scale enterprises exist and are constituted by hierarchies of authority. As Anderson observes, “Efficient employment contracts are . . . necessarily incomplete,” managers must have discretion to coordinate workers' activities. But these theories do not explain the breadth of employers' authority over workers' lives. “Under the employment-at-will baseline, workers, in effect, cede *all* of their rights to their employers, except those specifically

guaranteed to them by law, for the duration of the employment relationship.” The result is that “Employers’ authority over workers, outside of collective bargaining and a few other contexts . . . is sweeping, arbitrary, and unaccountable—not subject to notice, process, or appeal.” Workplace governance “is a form of private government,” underwritten by law.

Of course, if workers object to the conditions of their employment, they can quit. But the costs of exit for many workers are extremely high. To deny employers’ authority over workers because of freedom of exit, says Anderson, “is like saying that Mussolini wasn’t a dictator, because Italians could emigrate.” Libertarian-leaning thinkers and politicians are, says Anderson, blind to the real nature of employment because they implicitly carry over assumptions that held only before the Industrial Revolution, when self-employment and economic independence were within reach of most workers.

As she concludes her indictment of today’s free market thinking, Anderson allows that private governments in the economy lack many of the directly coercive powers of actual states, and they often refrain from exercising much of their power over workers’ lives, especially the lives of higher income and skilled workers. Nevertheless, the fact remains that “the constitution of workplace government is both arbitrary and dictatorial,” and that it “is not dictated by efficiency or freedom of contract, but rather by the state.”

Anderson closes by suggesting a variety of ways to increase worker protections against arbitrary treatment: these include enhanced exit rights, a workers’ bill of rights, and greater “voice,” including via improved legal support for unions and collective bargaining. Most importantly, our public discourse should recognize the reality of workers’ subjection to arbitrary private government in the workplace and explore ways of remedying it.

The first of our four commentators, Ann Hughes, a leading historian of early modern England and the English Civil War, and Professor of Early Modern History at Keele University in the UK, applauds as “exemplary” Anderson’s “deployment of historical material as a storehouse of imagination, and a legacy to the present.” She notes recent invocations of the Levellers by progressives in Britain and elsewhere, but she also advances a “darker” and more complex view of seventeenth-century England. She emphasizes, for one thing, that the effects of the burgeoning market order were various, and far from uniformly positive: inequality and social polarization increased, and substantial portions of the population depended sometimes or often on public assistance.

Hughes also emphasizes that the Levellers were far from radically egalitarian by our standards, with many excluding from suffrage beggars as well as servants and apprentices, and women. She suggests that free market thinking was not foundational to the Levellers, but rather “deduced from other elements of social life,” and also that the “economic and social implications of market relations were already—long before the industrial revolution—less benevolent than Adam Smith and Professor Anderson believe.”

Market relations themselves were complex, depending on the social phenomena of trust and credit, and market principles were tempered by “a sense of collective and communal activism,” as well as deference to some customary rights. Finally, Hughes emphasizes that the Levellers continued to fall back on “a conception of society as made up of male-headed households, with women as valued but subordinate participants,” further complicating claims about early modern egalitarianism.

David Bromwich, Sterling Professor of English at Yale University and author of many works on politics, political theory,

and history, asks how the optimism about economic liberty and market society of the seventeenth century gave way to the pessimism Professor Anderson describes. He agrees with Anderson that “political theory should not stop at the door of the workplace,” but he doubts that the idea of market freedom, as developed by Adam Smith and others, ever furnished a sufficient basis for political freedom and democratic equality. Bromwich argues that Smith understood that “self-interest” would operate for “the long-term good of society . . . almost independent of the will” of social and political actors. He suggests that “Thomas Paine—a radical democrat through and through . . . may belong in a different history”: he believed in markets but his vision “was essentially political and only secondarily economic.”

Bromwich allows, with Smith, that the extension of markets raises the level of material well-being of all, including of the poorest. It may even transpire that, as Smith bragged, “an industrious and frugal peasant” in commercial society could enjoy an “accommodation” that greatly exceeds that of “an African king, the absolute master of the lives and liberties of ten thousand naked savages.” And yet, Bromwich observes, “the African king has *power*, and with his power, a fearlessness of misery, which is denied to the European peasant.” He worries that Anderson underrates “the difference between political power and market equality.”

Bromwich ends by raising concerns about the sort of world in which everything—including labor itself—becomes a commodity. Quoting Oliver Goldsmith, he worries about the human costs of market dislocations for traditional societies: “trade uproots lives and turns ancient occupations obsolete.” Quoting Karl Polanyi, 170 years later, Bromwich worries about the ever more complete commodification of man and nature. He ends by thanking Anderson for encouraging us to “think closely



again about the early modern theories of equality and freedom that rationalize but do not justify our own market society.”

Our third commentator, the philosopher Niko Kolodny, expresses sympathy with Professor Anderson’s focus on *social relations* of inequality in the workplace—“quasi-political relations of ‘government’ between employers and employees within the firm.” But, he asks, what exactly “disquiets us” about these power relations and “what alternative social arrangements, even in principle . . . could put us at ease?”

Part of the problem, argues Kolodny, is that while economic enterprises often require managerial discretion, the resulting power over workers can be used for unjustified purposes that lack an economic rationale. And in addition, says Kolodny, we may still find it objectionable to be governed by the boss’s discretion even when it is exercised only for justified purposes. But why? Is it that personal rule is always worse than the rule of general laws? Kolodny doubts that is the crux of the matter. Markets are unpredictable, and require flexibility, and laws, on the other hand, are made and administered by human beings. The basic difference, he suggests, between workplaces and political rule is that, in a democracy, governing is undertaken by delegates who are accountable to the citizens as equals: none is subordinate to others. Democratic citizens stand symmetrically with respect to one another in being governed and in having an equal opportunity to hold governors accountable. In the workplace, on the other hand, bosses may abuse their power and, even when they do not, they wield unaccountable power over workers, so workers are necessarily subordinate.

But, Kolodny asks in closing, how worrying is workplace subordination? Is it equivalent to political subordination? Three grounds suggest not. First, it is generally easier to leave a workplace than one’s country; exit costs are lower. Second, we

enjoy a greater degree of consent about where we work as compared with our country of membership. And, finally, workplace governance is ultimately subject to political rule, and so, “controlled from a standpoint of [democratic] equality.” In the end, therefore, how troubled should we be that “our rights as employees are not like our rights as citizens?” Kolodny does not hazard an answer but underlines these questions’ importance.

Finally, Tyler Cowen, an economist and a public commentator, advances a broad critique of Anderson’s claims about the extent of worker domination in today’s workplaces. He denies—on both theoretical and empirical grounds—the accuracy of describing private business firms as “communist dictatorships in our midst.” He doubts that the costs of worker exit are as high as Anderson claims, and further doubts that individual firms enjoy much “monopsony” power over the workers they employ. He suspects, to the contrary, that because so many workers become attached to their particular workplaces—to their co-workers and various perks—that the bigger problem may be wage depression, rather than worker unfreedom. Even companies with monopsony power over workers seem often to cater to workers’ “job quality preferences.” Large firms in particular pay workers more and are generally protective of their workers’ dignity and diversity: partly to guard the reputation of the company, but also to attract and retain talented workers.

Cowen further notes that when businesses do police “outside the workplace” activity, it is often to protect the dignity and “*the freedom of the other workers*” against, for example, racist or sexist Facebook posts. Indeed, he argues that co-workers and customers gain considerably from giving bosses discretion over firing, and while there are undoubtedly abuses, he doubts the abuses are widespread.

Cowen emphasizes, finally, that every governance arrangement involves trade-offs, and he worries that Anderson has not taken sufficient account of these in proposing alternatives to the current model. More broadly, he thinks Anderson exaggerates current managerial abuses in the workplace and discounts the extent to which today's capitalist workplaces are "*sources of worker dignity, . . . freedoms, . . . pleasure and fulfillment.*"

In her wide-ranging reply, Anderson offers some clarifications of her thesis and a vigorous rejoinder to her critics.

In response to Hughes and Bromwich, she affirms that market society was harming some workers before the Industrial Revolution. Her main interest is the evolving "free market ideology" developed from the Levellers to Lincoln. She denies that those earlier free market thinkers, such as Adam Smith, can be understood as seeking to justify our commercial society. Anderson insists that "the Industrial Revolution decisively undermined the *model* early egalitarians promoted, of how a market society, *with appropriate reforms*, could liberate workers." And she observes, "The earlier thinkers are less to blame for vesting their hopes in an ideal that was destroyed by unforeseeable changes, than its current purveyors are for promulgating it in a world it does not remotely describe, either currently or in prospect."

In response to Kolodny, Anderson allows that hierarchical organization in the workplace is indispensable, but hierarchy does not justify the sort of arbitrary and unaccountable authority possessed by managers. Exercising autonomy in important aspects of one's life is, says Anderson, "a basic human need." Workers, she insists, should have a greater say in how their workplaces are organized even if "full workplace democracy" is infeasible.

Against Cowen, Anderson allows that, of course, the “costs and benefits of alternative workplace constitutions” must be assessed, but she insists that the abuse of worker freedoms is far more widespread than Cowen allows. Especially at the bottom of workplace hierarchies, among less skilled workers, abuses are rampant and include wage theft, unpredictable schedules, and sexual harassment, even while “academic research on labor is marginalized and underfunded.” The fundamental problem, insists Anderson, is that “*the amount of respect, standing, and autonomy*” that workers “*get is roughly proportional to their market value.*” She insists against Cowen, in closing, that workers’ exit rights are not sufficient to assure their basic “dignity and autonomy,” they also need “voice” or “some share of autonomy in workplace decisions.”

This impressive volume, and the insights and debates it contains, casts new light on power and justice in the workplace—questions important to the lives of nearly all, but far too rarely examined.

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# Author's Preface

Consider some facts about how employers today control their workers. Walmart prohibits employees from exchanging casual remarks while on duty, calling this “time theft.”<sup>1</sup> Apple inspects the personal belongings of their retail workers, who lose up to a half-hour of unpaid time every day as they wait in line to be searched.<sup>2</sup> Tyson prevents its poultry workers from using the bathroom. Some have been forced to urinate on themselves, while their supervisors mock them.<sup>3</sup> About half of U.S. employees have been subject to suspicionless drug screening by their employers.<sup>4</sup> Millions are pressured by their employers to support particular political causes or candidates.<sup>5</sup>

If the U.S. government imposed such regulations on us, we would rightly protest that our constitutional rights were being violated. But American workers have no such rights against their bosses. Even speaking out against such constraints can get them fired. So most keep silent.

American public discourse is also mostly silent about the regulations employers impose on their workers. We have the language of fairness and distributive justice to talk about low

wages and inadequate benefits. We know how to talk about the Fight for \$15, whatever side of this issue we are on. But we don't have good ways to talk about the way bosses rule workers' lives.

Instead, we talk as if workers *aren't* ruled by their bosses. We are told that unregulated markets make us free, and that the only threat to our liberties is the state. We are told that in the market, all transactions are voluntary. We are told that, since workers freely enter and exit the labor contract, they are perfectly free under it: bosses have no more authority over workers than customers have over their grocer.

Labor movement activists have long argued that this is wrong. In ordinary markets, a vendor can sell their product to a buyer, and once the transaction is complete, each walks away as free from the other as before. Labor markets are different. When workers sell their labor to an employer, they have to hand *themselves* over to their boss, who then gets to order them around. The labor contract, instead of leaving the seller as free as before, puts the seller under the authority of their boss. Since the decline of the labor movement, however, we don't have effective ways to talk about this fact, and hence about what kinds of authority bosses should and shouldn't have over their workers.

These lectures aim to answer two questions. First, why do we talk as if workers are free at work, and that the only threats to individual liberty come from the state? Second, what would be a better way to talk about the ways employers constrain workers' lives, which can open up discussion about how the workplace could be designed to be more responsive to workers' interests?

My focus in both lectures is on *ideology*. An ideology is an abstract model that people use to represent and cope with the social world. Ideologies simplify the world, disregarding many of its features. An ideology is good if it helps us navigate

it successfully. To help us, it must identify the normatively important features of the world, and the main causal connections between these features to which people can respond, enabling them to discover effective means to promoting their goals. Ideologies also help us orient our current evaluations of the world, highlighting what we think is already good or bad in it. Finally, they are vehicles for our hopes and dreams. A model may expose problems in our current world but also identify the causes of those problems such that, if those causes were removed or counteracted, we could achieve a better world. In other words, ideologies also function as *ideals*, offering us not only representations of the world as it is, but as it attractively *could be* if certain actions were undertaken.

I have so far explained what ideologies are in the nonpejorative sense of this term. We can hardly do without them. In personal experience, we have contact only with a small part of the world. To enable more comprehensive evaluation and planning, we need to represent aspects of the world that are not immediately experienced. And even the part that we do experience we filter through our ideologies to get a sense of what that experience means. We need to simplify to enable us to focus on the important things.

These facts about our cognitive limitations give rise to the danger that our models of the world may be ideological in the pejorative sense of this term. This occurs when our ideologies mask problematic features of our world, or cast those features in a misleadingly positive light, or lack the normative concepts needed to identify what is problematic about them, or misrepresent the space of possibilities so as to obscure better options, the means to realizing them, or their merits. Of course, no model can capture all normatively relevant features of the world. If it misses only relatively small, random, and idiosyncratic features,

we should not condemn it. When these features are structurally embedded in the social world, so as to systematically undermine the interests of identifiable groups of people in serious or gratuitous ways, we need to revise our model to attend to them and identify means to change them. This is harder to do when the interests of those who dominate public discourse are already served by the dominant ideology.

Lecture 1 answers my first question—why we talk as if workers are free at work—by delving into the history of free market ideology. I argue that originally, many pro-market thinkers were sensitive to the liberty interests of workers, and had reasons to believe that free markets would help them, by liberating them from subordination to employers and other powerful organizations. They vested their hopes in a model that predicted that freeing up markets overall would reduce labor markets to minor features of a world in which most adults—at least if they were men—were self-employed. The Industrial Revolution destroyed those hopes, but not the idea of market society on which those hopes rested. The result is that we are working with a model of our world that omits the relations between employers and employees within which most of us work.

Lecture 2 corrects this omission by offering a way to understand and talk about what the employment relation is: it is a form of *government*, in which bosses govern workers. Most workplace governments in the United States are dictatorships, in which bosses govern in ways that are largely unaccountable to those who are governed. They don't merely govern workers; they *dominate* them. This is what I call *private government*. I offer this model as a critical tool to help us focus on important and problematic features of our world that affect the vital interests of workers, which the dominant ideology omits. I don't offer a blueprint for a better constitution of workplace government.



I offer a way of talking about the workplace, within which we can articulate how workers' interests are affected by the power employers wield over them, and how alternative constitutions of workplace government could be designed to be more responsive to their interests and more respectful of their dignity and autonomy.

I wish to thank Princeton University for inviting me to deliver the Tanner Lectures on Human Values in 2015, and the Tanner Lectures corporation for supporting my work. Don Herzog read the first draft of my lectures and provided very helpful comments that enabled me to polish my lectures for delivery. My commentators David Bromwich, Tyler Cowen, Ann Hughes, and Niko Kolodny, along with two anonymous reviewers for Princeton University Press, supplied splendid comments that enabled me to sharpen my ideas and clarify them for a broader readership. Alex Gourevitch, Stephen Macedo, and my editor, Rob Tempio, also made helpful suggestions. I thank them all for being such wonderful interlocutors.

## Chapter 1

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# When the Market Was “Left”

### Two Images of Market Society

The ideal of a free market society used to be a cause of the left. By “the left,” I refer to egalitarian thinkers and participants in egalitarian social movements, starting with the Levellers in the mid-seventeenth century, continuing through the Enlightenment, the American and French Revolutions, and pre-Marxist radicals of the late eighteenth and early nineteenth centuries. In the United States, the association of market society with egalitarianism lasted through the Civil War.<sup>1</sup> We need to recover an understanding of why this was so, to better grasp the importance of evaluating ideals in their social context, and the problems with current ways of thinking about ideals of equality and freedom.

Consider two of the most famous passages ever written about market society. The first, by Adam Smith, sketches an image of market society as a free society of equals:

When an animal wants to obtain something either of a man or of another animal, it has no other means of persuasion but to gain the favour of those whose service it requires. A . . . spaniel endeavours by a thousand attractions to engage the attention of its master who is at dinner, when it wants to be fed by him. Man sometimes uses the same arts with his brethren, and . . . endeavours by every servile and fawning attention to obtain their good will. . . . But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and shew them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer. . . . It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love. . . . Nobody but a beggar chuses to depend chiefly upon the benevolence of his fellow-citizens.<sup>2</sup>

The second passage is by Karl Marx. He recasts Smith's image of the market as a mere portal into relations of domination and subordination:

[The] sphere . . . within whose boundaries the sale and purchase of labour-power goes on, is in fact a very Eden of the innate rights of man. There alone rule Freedom, Equality, Property and Bentham. Freedom, because both buyer and seller of a commodity, say of labour-power, are constrained only by their own free will. They contract as free agents, and

the agreement they come to, is but the form in which they give legal expression to their common will. Equality, because each enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent. Property, because each disposes only of what is his own. And Bentham, because each looks only to himself. . . .

On leaving this sphere of simple circulation or of exchange of commodities, which furnishes the “Free-trader *Vulgaris*” with his views and ideas, and with the standard by which he judges a society based on capital and wages, we think we can perceive a change in the physiognomy of our *dramatis personae*. He, who before was the money-owner, now strides in front as capitalist; the possessor of labour-power follows as his labourer. The one with an air of importance, smirking, intent on business; the other, timid and holding back, like one who is bringing his own hide to market and has nothing to expect but—a hiding.<sup>3</sup>

These two passages encapsulate a dramatic change in the egalitarian assessment of market society that took place between the eighteenth and nineteenth centuries. By *egalitarian*, I refer to an ideal of social relations. To be an egalitarian is to commend and promote a society in which its members interact as equals. This vague idea gets its shape by contrast with social hierarchy, the object of egalitarian critique. Consider three types or dimensions of social hierarchy: of authority, esteem, and standing. In a hierarchy of authority, occupants of higher rank get to order subordinates around. They exercise arbitrary and unaccountable power over their inferiors. In a hierarchy of esteem, occupants of higher rank despise those of inferior rank and extract tokens of deferential honor from them, such as bowing, scraping, and other rituals of self-abasement that inferiors

display in recognition of the other's superiority. In a hierarchy of standing, the interests of those of higher rank *count* in the eyes of others, whereas the interests of inferiors do not: others are free to neglect them, and, in extreme cases, to trample upon them with impunity. Usually, these three hierarchies are joined.

Smith depicts market relations as egalitarian: the parties to exchange interact on terms of equal authority, esteem, and standing. He implies such egalitarian content by contrasting market exchange with begging, a kind of gift exchange in which subordinate parties offer tokens of asymmetrical esteem—"servile and fawning attention"—in return for something they want. The resort to servile fawning supposes that one's interests have negligible standing in the eyes of the other. The prospective benefactor may turn away a beggar just as a master may shoo away his spaniel from the dinner table. The transaction is humiliating to the beggar, and may involve his submission to the other's authority: servility is how servants behave toward their masters. Behind every gift exchange, ostensibly an altruistic affair, lurks dependency, contempt, and subordination.<sup>4</sup> By contrast, in market exchanges with the butcher, the brewer, and the baker, each party's interests have standing in the eyes of the other. Each party expresses this recognition by appealing to the other's interests as a reason for him to accept the exchange. The buyer is not an inferior, begging for a favor. Equally importantly, the buyer is not a superior who is entitled to simply order the butcher, the brewer, or the baker to hand over the fruits of his labor. Buyers must address themselves to the *other's* interests. *The parties each undertake the exchange with their dignity, their standing, and their personal independence affirmed by the other.* This is a model of social relations between free and equal persons.

Marx depicts this sunny egalitarian story of market exchange as utterly superficial. The market is a "noisy sphere,

where everything takes place on the surface."<sup>5</sup> If this is Eden, it is just before the Fall. The action of real importance takes place once the contract is signed and the time comes to execute it. The worker is now dragged out of Eden into the sphere of production. His employer, like God, curses him to toil by the sweat of his brow. Now it is clear where the parties stand in the order of esteem: the capitalist enjoys an "air of importance," his employee is timid and cringing before him. They stand unequally in the order of authority: the capitalist strides in front, with the employee obligated to follow wherever his employer takes him. And they stand unequally in the order of standing: where the capitalist beams, in expectation of profit from the relationship, his worker "has nothing to expect but—a hiding." The performance of the contract embodies a profound asymmetry in whose interests *count*: henceforth, the worker will be required to toil under conditions that pay no regard to his interests, and every regard for the capitalist's profit.

What happened between Smith and Marx to reverse the egalitarian assessment of market society? It is not, as some have supposed, a reevaluation of self-interest as a motive for relating to others. Smith *denies* Marx's claim that in market transactions "each looks only to himself." On his account, a successful bargain requires each to consider how they could bring some advantage *to the other*. Without a sympathetic appreciation for what might interest the other in transacting with oneself, and without acknowledging the independent standing of the other as someone whose property rights must be respected, no bargain will be struck.<sup>6</sup> Smith, no less than Marx, reviled selfishness as a basis for relating to others.<sup>7</sup>

What happened, I shall argue, was the Industrial Revolution. Smith wrote at the mere threshold of the Industrial Revolution, well before its implications for relations of production

could be fully grasped. Marx wrote in its midst, at a point when workers were bearing its most frightful costs, and enjoying precious few of its benefits. The Industrial Revolution was a cataclysmic event for egalitarians, a fundamental turning point in egalitarian social thought.<sup>8</sup> It shattered their model of how a free society of equals might be built through market society. The history of egalitarianism in the nineteenth century is a history of extraordinary innovation and experimentation with alternative models, some of which rejected market society wholesale, others of which sought various revisions and supplements to it. Most of these experiments—utopian socialism, anarchism, syndicalism, Georgism, communism, democratic state socialism, workplace democracy, to name a few—either failed, were denied a real trial, or never managed to scale up. The most visible successes—notably, social democracy and labor unions—while still with us, are in decline or under stress in our postindustrial, globalized economy.

Intellectually, public discourse is underequipped to cope with these challenges. The Cold War induced a kind of amnesia over what the nineteenth-century struggles were about, presenting a radically reductionist picture of alternatives, especially in the United States. Images of free market society that made sense prior to the Industrial Revolution continue to circulate today as ideals, blind to the gross mismatch between the background social assumptions reigning in the seventeenth and eighteenth centuries, and today's institutional realities. We are told that our choice is between free markets and state control, when most adults live their working lives under a third thing entirely: *private government*.

My aim is to get a clearer view of what this third thing is, what challenges it poses to the ideal of a free society of equals, and how it might be reformed to enable that ideal to be realized

under contemporary conditions. To gain clarity, we need to recover the intellectual context of egalitarian thought before the Industrial Revolution, when the market was "left."

### **Egalitarianism before the Industrial Revolution: Masterless Men, Levellers, and Locke**

The Levellers undertook one of the first egalitarian social movements of the modern world. Arising in the English Civil War and strongly represented in Cromwell's New Model Army, they are best remembered for their calls for constitutional reform, including a nearly universal male franchise, parliamentary representation of districts in proportion to population, abolition of the House of Lords and the lords' privileges, and religious toleration.<sup>9</sup> Notwithstanding their name, given to them by Cromwell, who feared that democratization threatened a mass redistribution of property, the Levellers were also firm defenders of rights of private property and free trade. Captain John Clarke, in the Putney debates, affirmed that the law of nature establishes a right to property.<sup>10</sup> The Third Agreement of the People, promulgated by John Lilburne, William Walwyn, Thomas Prince, and Richard Overton, denied the state the power to "level mens Estates, destroy Propriety, or make all things Common"; to hinder freedom of foreign trade; to exempt anyone from paying their debts; or to enact permanent customs or excise taxes on goods, as these were "extreme burthensome and oppressive to Trade."<sup>11</sup> Lilburne attacked the state-granted monopolies of printing, preaching, and foreign trade as infringing on "the Common right of all the free-men of England" just as much as the recently barred monopolies of soap, salt, leather, and other goods.<sup>12</sup> He included, with full endorsement, the petition of William Sykes and Thomas Johnson



against the licensed monopolies of the Eastland merchants, Merchant Adventurers, and other cartels in *Londons Liberty in Chains Discovered*.<sup>13</sup> Walwyn submitted a systematic argument for free trade to Whitehall.<sup>14</sup>

Given the tendencies of market society to generate inequality in income and wealth, what stake did this egalitarian movement see in promoting private property and free trade? To understand this, we must get beyond a narrow interpretation of egalitarianism in terms of current ideas about distributive justice.<sup>15</sup> Egalitarianism, more fundamentally, is about dismantling or taming social hierarchy. The Levellers' support for free trade formed an essential part of a larger program of liberating individuals from interlocking hierarchies of domination and subordination. They saw in free markets some essential institutional components of a free society of equals, based on their proliferation of opportunities for individuals to lead lives characterized by personal independence from the domination of others.

To see this, we must consider the social order against which the Levellers were rebelling. Early modern England was characterized by pervasive hierarchies of domination and subordination. Nearly all people but the king had superiors, who claimed nearly unaccountable discretionary authority to rule their lives. Lords governed their tenants and retainers, masters governed their servants, bishops their priests, priests their parishioners, captains their sailors, guilds their members, male heads of households their wives, children, and servants.

Government was everywhere, not just in the hands of the organizations we identify today with the modern state. The Anglican Church ran its own system of courts, censorship, and taxation. Church courts regularly excommunicated and fined parishioners for infractions of church regulations, even when

that conduct was lawful. The church censored publications it regarded as heretical or blasphemous. It exacted tithes from parishioners, regardless of their religious beliefs.<sup>16</sup> Excommunication had consequences beyond expulsion from the church: by the Test Act, only those receiving Anglican Communion were eligible for public office. Guilds, too, operated their own court system, under which they routinely tried, fined, and jailed members who violated (or who merely refused to offer an oath that they had obeyed) the guild's minute regulations regarding matters such as the prices and quantities of goods for sale, and the location and days on which trading was permitted.<sup>17</sup> Under the common law of coverture, a wife's legal personhood was subsumed under her husband's: she could not own property, make contracts, sue or be sued in her own name. Her husband was legally entitled to all of her wages, to control her movements, and to inflict corporal punishment for disobedience. Divorce was very difficult to obtain.<sup>18</sup> Wives often acquired more leeway than the law recognized: mainly through contestation of their husbands' authority and appeal to custom, and rarely through prenuptial agreements and use of scattered laws and jurisdictions that limited coverture. Nevertheless, to speak of husbands' governing their wives was no mere metaphor.<sup>19</sup> In an era where production was not yet separated from the household, servants—that is, any employees under contract—lived under the government of their employers as subordinate members of an extended patriarchal family.<sup>20</sup> Apprentices were bound to service without pay. Under the common law of master and servant, regular employees had to work an entire year from sunup to sundown before acquiring entitlement to wages. Masters (employers) were free to withhold any amount of pay, without prorating, if their servants missed even a single day of work, or if they judged any part of their employees' work

substandard. They were entitled to all of their servants' wages from moonlighting. Anti-enticement laws forbade competing employers to offer contracts to servants under contract to a different master.<sup>21</sup> Again, although custom and market conditions often gave servants more leeway than the law prescribed, they could not be considered free by today's standards.

Various ideologies rationalized these hierarchies.<sup>22</sup> One was the great chain of being. All creatures were linked in a great authoritarian chain of being reaching up to God, it was said, with everyone fixed to their particular link or social rank by birth. Everyone had some creature above and some below their place; even the king and pope were accountable to God; even the lowliest humans had dominion over animals. Breaking ranks would break the chain and unleash catastrophic disorder upon the world, detaching everyone from their connection to God.<sup>23</sup> Another was patriarchalism. The king, as father to his country, stood to his subjects as the father to all the members of his extended family—his wife, children, servants, and slaves. Just as the father enjoyed absolute dominion over the subordinate members of his household, and owned all its property, so the king enjoyed absolute authority over all his subjects, and owned all the land of the realm.<sup>24</sup> A third was the doctrine of original sin. Humanity's inherent proclivities toward sin justified comprehensive external constraint. Every sinner—every person—needed someone with authority over them to keep them in line.<sup>25</sup> Original sin rationalized absolute authority over others, and was the traditional justification for slavery.<sup>26</sup>

In sixteenth-century England, economic and religious changes began to set various individuals loose from traditional lines of authority, creating groups of "masterless men"—people who had no particular individual to whom they owed obedience.<sup>27</sup> The least advantaged were those displaced by agricul-

tural developments, including enclosures and draining of the fens. Some went to London, seeking employment as casual laborers. Some became itinerant entertainers, traders, and cobblers. Some hung on in rural areas as cottagers and squatters in heaths, wastes, and forests, keeping a few animals, taking in knitting, and performing day labor. Some became vagabonds and beggars. Many of these individuals lived outside parishes or were otherwise unchurched. The more advantaged among masterless men were those who attained self-employment in a fixed establishment—yeoman farmers and long-term leaseholders, shopkeepers, artisans, and printers.

The rise of masterless men undermined the argument for authority based on the great chain of being.<sup>28</sup> That argument could explain why people fixed in a subordinate position should obey whoever was already bossing them around. But it could not identify any particular people to boss those unlinked from the chain of authority. Nor were many masterless men much interested in finding masters. They were making their livings on their own.

When Civil War broke out in the mid-seventeenth century, masterless men formed the core of Cromwell's New Model Army, which selected officers by ability rather than birth, and practiced open discussion among the ranks. Many men and officers were Levellers. Although the Levellers are mostly remembered for their constitutional demands to limit the authority of king, lords, and Parliament, and to make the state accountable to the people, their egalitarianism challenged other social hierarchies as well: the authority of the Church of England, and priests more generally, over parishioners; of men over women; of guilds and mercantile monopolies over artisans.

The Levellers arose in a time of religious ferment, the seeds of which had been laid in the Reformation. Martin Luther's

doctrine of the priesthood of all believers was taken more literally by various Protestant sects than he intended. With the rise of printing and literacy among the people, laypersons began to read and think for themselves in theological matters. If believers enjoyed direct connection to God, unmediated by intervening links in the chain of being, then why grant authority to bishops or even to priests? The central religious conflict of the English Civil War was over church governance: the Puritans wanted to overthrow the Anglican bishops and universalize the Presbyterian system of governance by elders. Far more radically democratic sects arose during this period, such as Baptists, Quakers, Ranters, and Fifth Monarchists, featuring lay preachers. Leading Levellers came from dissenting sects. They demanded religious toleration, the abolition of tithes, church courts, and church censorship. Millennialism—the doctrine of Christ’s imminent return to rule earth directly—was common among the sects. Christ’s return implied his redemption of human beings from sin, and hence the demise of the doctrine of original sin and its support for authoritarianism. Individuals were thereby restored to their natural (prelapsarian) state of freedom and equality.<sup>29</sup>

Some dissenting sects drew feminist conclusions from their theologies. “The soul knows no difference of sex.”<sup>30</sup> Women participated in church governance. Some became popular preachers. Divorce was liberalized, with men and women having equal rights to divorce their spouses. Quaker marriage vows omitted mention of a wife’s duty to obey her husband. Margaret Fell, the wife of Quaker founder George Fox, had a prenuptial agreement denying Fox authority over her estate.<sup>31</sup> Leveller John Lilburne insisted that Adam and Eve, and hence all of their progeny, “were, by nature all equal and alike in power, dignity, authority, and majesty, none of them having by nature any

authority, dominion, or magisterial power one over or above another." Turning the authoritarian doctrine of original sin on its head, he claimed that Adam's sin and that of all other men acting likewise consisted in the arrogant attempt to rule over anyone else without their consent.<sup>32</sup> Since, in the beginning, Adam had no one to rule over but Eve, the feminist implication of Lilburne's view is evident. Women such as Elizabeth Lilburne and Katherine Chidley were active in the Leveller movement. The *Petition of Women*, believed to be written by Chidley, insisted on the equal right of women to petition Parliament, and claimed for women "an interest in Christ equal unto men, as also of a proportionable share in the freedoms of this commonwealth."<sup>33</sup> Fifth Monarchists even advocated women's suffrage.<sup>34</sup>

In the context of patriarchalist justifications of state power, such feminist ideas served also to undermine monarchy. If husbands had no absolute dominion over their wives, then the king's claim to rule his subjects as the male head of household rules over everyone else in the family could not justify absolutism, or indeed much of any authority. If wives could hold title to property independently of their husbands, then the king's patriarchal claim to own all the property in the realm also came to naught.

In this era, support for private property and free trade went hand in hand with challenges to the monopoly of the Anglican Church over religious matters, as well as the king's patriarchalist claims to authority. The Root and Branch Petition of 1640, which called for the abolition of the episcopacy, complained of monopolies, patents, and tariffs, as well as the church's impositions of fines and excommunication for working and opening shop on holy days. Its persecution of dissenters drove clothiers to Holland, to the ruin of England's wool trade and of the poor

workers who depended on that trade. The petition also railed against the church's control of the press, which was used to suppress dissenting religious tracts and to publish works claiming "that the subjects have no property in their estates, but that the king may take from them what he pleaseth."<sup>35</sup>

The Levellers' support for private property and free trade should be read in this context. The personal independence of masterless men and women in matters of thought and religion depended on their independence in matters of property and trade. If the king held title to all property, then subjects with land were reduced to mere copyholders, whose customary property rights could be extinguished by laws made without their participation, such as those calling for enclosures and expulsions of residents from fens.<sup>36</sup> If the church could fine dissenters in its own courts for violations of church decrees in restraint of trade, it would destroy their freedom of religion as well as their ways of making a living.

Monopolies were another form of state-licensed private government that threatened the personal independence of small traders and artisans. Whereas free trade promised economic growth, its principal advantage, from the Levellers' point of view, was its promotion of opportunities for economic independence. Abolition of guild monopolies would end the arbitrary and oppressive government of guilds over small merchants and artisans who did not care to obey the rules laid down by the larger ones.<sup>37</sup> (William Sykes, whose cause was championed by Lilburne, had been imprisoned in Rotterdam by England's Merchant Adventurers cartel, for refusing to swear an oath that he had obeyed all of their regulations concerning the cloth trade in Holland.<sup>38</sup>) This was not only a violation of rights to liberty. It was a violation of equality: "Patent societies swelling with a luciferian spirit, in desiring to advance into

a higher room than their fellows, did by seruptitious Patents incorporate themselves,” despite the fact that “every subject hath equall freedom with them” by the Magna Carta and other laws of England. Monopolies put the people “in a condition of vassalage,” and reduce their hearts to “servility.”<sup>39</sup>

Abolish the monopolies, and free trade would not merely liberate already existing small artisans from arbitrary private government. It would expand opportunities for many others to create their own businesses—to become self-employed, independent, masterless men. Charters of monopoly limited trade to particular towns. Abolish them, and trade, with its attendant opportunities for attaining independence, would spread across the entire country. Eliminate artificial barriers to trade, and “even servants” could risk investing in it, with the chance of gaining enough profit to become independent taxpayers.<sup>40</sup>

The Levellers did not neglect the benefits free trade would bring to those who would never attain self-employment. Abolition of monopolies would also strengthen the bargaining power of sailors, due to the multiplication of ships needed to bear a higher-volume foreign trade, and increase the purchasing power of “workmen of all sorts,” by reducing prices.<sup>41</sup> The higher volume of trade would also employ many who were, under monopoly, unable to find work and thereby reduced to beggary.<sup>42</sup> As we have seen from Smith’s observations, in the order of esteem and standing, earning one’s living is better than begging. So free trade advances equality for many, even for those who do not enjoy full independence from the will of a master.

Thus, the Levellers rejected the principal arguments for social hierarchy of all kinds—the great chain of being, patriarchy, original sin. Their critique of arbitrary and unaccountable state power was part and parcel of their critique of other forms



of domination—of the church over all English subjects, of men over women, of lords over tenants, of guilds over artisans. The state underwrote these other forms of government by grants of monopoly (the established Church of England being just another kind of monopoly), restraints on free trade, and invasions of the birthrights of English subjects, which they saw as a form of property.<sup>43</sup> The Levellers supported property rights and free trade for the ways they secured and promoted the personal independence of individuals from the domination of others. These institutions promoted the ability of men and women to become masterless, and increased the dignity and bargaining power of those who remained servants, by raising their wages and real incomes and by lifting beggars from destitution to employment.

Locke, too, was an egalitarian who supported extensive rights to private property and contract. Did he link egalitarianism to rights to property and contract in the same ways as the Levellers? Lacking space for a more extensive commentary, I shall merely note some profound affinities between the Levellers and Locke, writing some decades after them. Locke's constitutional principles—popular sovereignty, a nearly universal male franchise, equality under the law, equal representation of districts, supremacy of the House of Commons—are all Leveller principles.<sup>44</sup> Like them, his egalitarian critique of arbitrary and unaccountable state power is deeply tied to his critique of other forms of government. In particular, his feminism (his insistence that wives are entitled to independent rights to property, freedom of contract, divorce, and personal autonomy from their husbands) is indispensable to his critique of patriarchalist defenses of absolute monarchy.<sup>45</sup> He also insists that property owners are not entitled to take advantage of the poor by conditioning an offer of subsistence on their

submission to arbitrary power.<sup>46</sup> As with the Levellers, once we focus on the egalitarian interest in avoiding relations of domination and subjection, it is much easier to see how, in the context of seventeenth-century institutions, market society could be an egalitarian cause.

### **Egalitarianism before the Industrial Revolution: Smith**

We have seen that in the seventeenth century, egalitarians supported private property and free trade because they anticipated that the growth of market society would help dismantle social hierarchies of domination and subordination. State-licensed monopolies were instruments by which the higher ranks oppressively governed the middling and lower ranks. Opposition to economic monopolies was part of a broader agenda of dismantling monopolies across all domains of social life: not just the guilds, but monopolies of church and press, monopolization of the vote by the rich, and monopolization of family power by men. Eliminate monopoly, and far more people would be able to attain personal independence and become masterless men and women. Even those who remained servants would gain esteem and standing through enhanced income and bargaining power with respect to their masters.

Did that vision continue through the eighteenth century? We need only consult the leading eighteenth-century advocate of market society, Adam Smith, to know the answer. Today, Smith is read as advocating market society because it would lead to economic growth and an efficient allocation of resources. These are unquestionably significant themes in his writings. However, he did not think that economic growth and efficiency were the leading virtues of market society. Rather, the transition from feudalism to market society, driven by the rise of commerce and

manufactures, led to “order and good government, and with them the liberty and security of individuals . . . who had before lived almost in a continual state of war with their neighbours, and of servile dependency upon their superiors. This . . . is *by far the most important of all their effects.*”<sup>47</sup>

The critical mediating factor leading to these favorable effects was the transition from gift to market exchange as the principal basis by which individuals satisfied their needs. Feudalism was based on “hospitality”: because markets were undeveloped, the landlord could spend his surplus

in no other way than by maintaining a hundred or a thousand men. He is at all times, therefore, surrounded with a multitude of retainers and dependants, who, having no equivalent to give in return for their maintenance, but being fed entirely by his bounty, must obey him. . . . The occupiers of land were in every respect as dependent upon the great proprietor as his retainers. Even such of them as were not in a state of villanage, were tenants at will. . . . A tenant at will . . . is as dependent upon the proprietor as any servant or retainer whatever, and must obey him with as little reserve. . . . The subsistence of both is derived from his bounty, and its continuance depends upon his good pleasure. Upon the authority which the great proprietors necessarily had . . . over their tenants and retainers, was founded the power of the ancient barons. They necessarily became the judges in peace, and the leaders in war, of all who dwelt upon their estates. . . . Not only the highest jurisdictions, both civil and criminal, but the power of levying troops, of coining money, and even that of making bye-laws for the government of their own people, were all rights possessed allodially by the great proprietors of land.<sup>48</sup>

To depend on the good will of another for one's subsistence puts one at the mercy of the other, and under his subjection. Gifts are not free: "hospitality" is given in return for obedience. The result is *private government*: the gift-giver's unaccountable dominion over the recipients of his good will. But private government was *bad* government. Not only did it reduce most people to a state of "servile dependency," but also the feudal lords were always at war with one another, leaving the country "a scene of violence, rapine, and disorder."<sup>49</sup>

The rise of commerce and manufacturing had ironically beneficial results:

All for ourselves, and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind. As soon, therefore, as they could find a method of consuming the whole value of their rents themselves, they had no disposition to share them with any other persons. For a pair of diamond buckles, perhaps, or for something as frivolous and useless, they exchanged the maintenance, or, what is the same thing, the price of the maintenance of 1000 men for a year, and with it the whole weight and authority which it could give them . . . thus, for the gratification of the most childish, the meanest, and the most sordid of all vanities they gradually bartered their whole power and authority.<sup>50</sup>

On Smith's account, the rise of commerce and manufacturing led people to leave the lords' estates to become artisans and tradesmen. Although the latter still depended on the great proprietors' expenditures for a living, now any given lord contributed only a small proportion of the subsistence of any of them. Hence no lord was in a position to command any of them: he

got only buckles, not authority, for his payment. The substitution of market exchange for gift exchange thereby liberated artisans and tradesmen from “servile dependency.” A similar process liberated the farmers. As the lords dismissed their retainers, they did not need to take so much of the harvest for the maintenance of hundreds or thousands. So the lords also dismissed many tenants at will, while raising rents on the remainder. The latter were willing to pay higher rents only in return for long-term leases. By this means, the farmers were also liberated from servility to the lords. Tenants at will, fearful of eviction if they do not obey every whim of their landlord, must bow and scrape before them. Farmers protected by long-term leases need only pay the rent. The market nexus replaces a relation of domination and subjection with an arm’s-length exchange on the basis of mutual interest and personal independence. By undermining the authority of the landlords, market society also increased the power of the national government, which brought peace, order, and the rule of law.<sup>51</sup>

So far, Smith’s account of the rise of market society is historical. It does not take into account the *expected* effects of setting markets *free*—of removing all monopolizing constraints on trade. Chief among these constraints were primogeniture and entails, which kept nearly all land locked up and undivided in the possession of the firstborn sons of a few great families. Smith condemned these constraints as “founded upon the most absurd of all suppositions, . . . that every successive generation of men have not an equal right to the earth,” but that land ownership be restrained by “the fancy of those who died perhaps five hundred years ago.”<sup>52</sup> This arrangement was inefficient, because great landowners are more interested in conspicuous consumption than improving the land, which requires laborious attention “to small savings and small gains.”<sup>53</sup> The most ef-

efficient agricultural producers are the yeoman farmers, small proprietors who work their own land. Neither sharecroppers nor tenants at will nor even leaseholders had a great incentive to invest in land improvements, because their landlord would appropriate part or all of the gains. Nor was slavery efficient, because slaves have no incentive to work hard.<sup>54</sup> If primogeniture and entail were abolished, great estates would be divided upon the death of the owner and sold. Land prices would fall because a greater supply of land would reach the market. This would put farms within reach of the most productive—the yeoman farmers. Smith looked to North America as a model of what would happen: even individuals of very modest means could buy their own farms, and yeoman farmers dominated the agricultural sector.<sup>55</sup>

Smith believed that in a fully free market, the commercial and manufacturing sectors would similarly be dominated by small-scale enterprises, run by independent artisans and merchants, with at most a few employees. Large-scale enterprises were a product of state-licensed monopolies, tariffs, and other mercantilist protections. It was only necessary to raise the large concentrations of capital used by joint-stock corporations for four types of "routine" business that required no innovation or entrepreneurial vision: banking, insurance, canals, and water utilities. With or without special state protections, they would tend to fail.<sup>56</sup> In a free market, with barriers to entry eliminated, firms managed by their owners would out-compete the directors of joint-stock corporations because the former, risking their own money, would invest more energy, attention, and skill in their businesses. With many entrants into the open market, rates of profit would fall. When profits are low, few great fortunes can be accumulated, so nearly all capital owners will have to work for a living.<sup>57</sup>

No wonder Smith's pin factory, his model of an enterprise with an efficient division of labor, employed only ten workers.<sup>58</sup> *The Wealth of Nations* was published in 1776. Smith was writing only at the threshold of the Industrial Revolution. The spinning jenny had been invented in 1764, kept secret until it was patented in 1770, and was only beginning to be used in a few factories by 1776. No one could have anticipated the rise of Blake's "dark, satanic mills" on the basis of such slender evidence. Smith reasonably believed that economies of scale were negligible for the production of most goods.

Thus we see that Smith's economic vision of a free market society aligns with the Levellers' vision more than a century earlier. Abolish guilds, monopolies, tariffs, restrictions on land sales, and other state-enforced restrictions on "natural liberty," and concentrations of great wealth would be dissipated, while labor would enjoy a "liberal reward."<sup>59</sup> Any remaining inequalities of wealth would hardly matter. In Smith's day, there were only two things great wealth could buy that were beyond the reach of those of modest means: dominion over others, and vanities.<sup>60</sup> For the rich, the rise of market society replaced the pursuit of dominion with the pursuit of trifling vanities. This was a huge win from an egalitarian point of view. Eliminate barriers to free markets, and the fortunes of the rich would be quickly dissipated, while opportunities for self-employment would proliferate.<sup>61</sup> This would be another huge advance for equality. It is a deeply humane vision.

### **Egalitarianism before the Industrial Revolution: From Paine to Lincoln**

Imagine a free market economy in which nearly everyone either is self-employed as a yeoman farmer, artisan, or small merchant

or else is a worker in a small firm with high and rising wages, sufficient to enable enough saving so that one could purchase one's own farm or workshop after a few years. Markets would be perfectly competitive, so no one would enjoy market power over others. Profits would be low and everyone would have to work for a living, so labor would not be despised. Material inequality would be limited to individual differences in personal labor effort and skill, not to inequalities in birth, state-granted privileges, capital ownership, or command over others' labor. Everyone would meet on an equal footing with everyone else. All would enjoy personal independence. No one would be subject to another's domination. Would this not be close to an egalitarian utopia, a truly free society of equals?

Egalitarians thought they saw such a utopia emerging in America. This is hard to imagine today, given that the United States is by far the most unequal among the rich countries of the world. Yet from Smith's day to Lincoln's, America was the leading hope of egalitarians on both sides of the Atlantic.

To be sure, slavery was a monstrous blot on that hope.<sup>62</sup> But in the heady years of the American Revolution and the early American republic, optimism reigned. The Northwest Ordinance of 1787 had prohibited the spread of slavery to the northwestern territories. By 1804, all the Northern states had passed laws to abolish slavery. Many thought that slavery was headed for a natural death as an inefficient form of production, as Smith had argued.

In the age of revolutions, America offered opportunities to free workers unlike any other country in the world. The great majority of the free population was self-employed, either as a yeoman farmer or an independent artisan or merchant. Journeymen had a good chance of owning their own enterprise after a few years. In the North, not only slavery, but other forms of



unfree labor, such as apprenticeship and indentured service, were in steep decline.<sup>63</sup> The future appeared to promise real personal independence for all.

Thomas Paine was the great advocate of this vision in the revolutionary era, in three countries. Raised as a Quaker and apprenticed as a stay maker, Paine despised social hierarchy and dedicated his life to political agitation for equality. He was a hero of the American Revolution for writing *Common Sense*, the most popular and influential political pamphlet up to that time. *Common Sense* rallied the colonists not simply around independence, but around the idea that America, as a republic, would show the world how a free society of equals would look. During the French Revolution, he was elected to the National Convention. He was also lionized by American and English labor radicals, who read his writings well into the nineteenth century. The Chartists, active from 1838 to 1848, put him on their reading list.

Paine's economic views were broadly libertarian. Individuals can solve nearly all of their problems on their own, without the state meddling in their affairs.<sup>64</sup> All improvements in productive technology are due to enterprising individuals, who hope that government will just leave them alone.<sup>65</sup> A good government does nothing more than secure individuals in "peace and safety" in the free pursuit of their occupations, enjoying the fruits of their labors, with the lowest possible tax burden.<sup>66</sup> Paine was a lifelong advocate of commerce, free trade, and free markets.<sup>67</sup> He argued against state regulation of wages, claiming that workers should bargain over wages on the free market.<sup>68</sup> Against populist suspicion of finance, Paine was a leading advocate of chartering the Bank of North America, in part to supply credit for artisans, in part as a defense against the state's issuing too much paper money.<sup>69</sup>

Most problems, he argued, are the result of government. Excess printing of paper money (not hoarding, as popular crowds supposed) was the cause of inflation. So he criticized demands for price controls during the Revolutionary War inflation, and argued against price controls at the French National Convention.<sup>70</sup> He called for hard money and fiscal responsibility.<sup>71</sup> In most states—England was his chief example—government is the principal burden on society, waging war, inflating the debt, and imposing burdensome taxes. Government spending is mostly wasteful. Taxation is theft; government is a “system of war and extortion.”<sup>72</sup> People living off government pay are social parasites, oppressing the industrious.<sup>73</sup> Government is also the chief cause of poverty, due to “the greedy hand of government thrusting itself into every corner and crevice of industry, and grasping the spoil of the multitude.”<sup>74</sup> He proposed a plan to eliminate poverty in England by rebating the oppressive taxes the poor were forced to pay. Cut taxes drastically, and the poor will do fine, while the better off will no longer have to pay poor rates to support the welfare system.<sup>75</sup>

Paine’s views on political economy sound as if they could have been ripped out of today’s establishment Republican Party playbook.<sup>76</sup> How, given these positions, could he have been the hero of labor radicals in the United States and England for decades after his death in 1809? He shows enormous faith in free markets and does not display a trace of the anti-capitalist class conflict that characterized nineteenth-century politics. The answer is that labor radicals saw access to self-employment as central to avoiding poverty and attaining standing as equals in society. In the late eighteenth and early nineteenth centuries, the most radical workers were not the emerging industrial proletariat, but artisans who operated their own enterprises.<sup>77</sup> As such, they were simultaneously capitalists and workers: they

owned their own capital, but also had to work for a living. As operators of small businesses, they favored commerce and open access to markets and credit. America, with nearly universal self-employment either actually realized or a seemingly realistic prospect for free workers, offered proof of concept. Paine was the greatest popularizer of the American experiment.

In an economic context in which the self-employed find their status and opportunities threatened by powerful institutions, it does not make sense to pit workers against capitalists. Popular politics instead pits the common working people against elites—that is, whoever controls the more powerful institutions. It may also pit the common working people against idlers—those who, like aristocrats, do not have to work for a living, but live off the labor of others. The Levellers saw the state as underwriting all kinds of oppressive private governments—of landlords, the established church, guilds, patriarchy. In Paine, however, the pre-industrial egalitarian vision narrowed to focus on the state. Nearly all states, other than the United States, were corrupt. Corruption exists whenever the state favors elites at the expense of ordinary working people—when it acts “by partialities of favor and oppression.”<sup>78</sup> Paine enumerated several forms of unjust favoritism that oppressed ordinary working people. Idle landlords received special representation in the House of Lords, and a separate set of laws applicable only to them.<sup>79</sup> The state gave charters (monopolies) to elites, at the expense of the right of all people to engage in trade, and at the cost of economic growth.<sup>80</sup> It taxed working people to lavishly fund the king and his court of idlers.<sup>81</sup> It handed out sinecures to buy the votes of members of Parliament, and provide places for the worthless younger sons of aristocrats who, under primogeniture, would receive no inheritance.<sup>82</sup> The worst corruption by far was the state’s waging of bloody and colossally expensive

wars to support plunder and imperialism, at the cost of exploding tax burdens and public debt. Because the aristocracy controlled the system of taxation, they exempted themselves from most taxes and placed the burdens of funding these wars on working people, through oppressive sales taxes.<sup>83</sup>

Paine's low-tax, free-trade libertarian agenda made considerable sense for an export-led agricultural economy facing high grain prices, as was true for late eighteenth-century America. "The commerce by which [America] hath enriched herself are the necessaries of life, and will always have a market while eating is the custom of Europe."<sup>84</sup> Free market wages were high in a country suffering from chronic labor shortages, and in which self-employment was a ready option for nearly all.<sup>85</sup> When the bulk of the population is self-employed, pleading for relief from state meddling is quite a different proposition than it would be today. There is not much call for employment regulations if there are few employees, and virtually all have a ready exit into self-employment. When no enterprises are large enough to have market power, there is no need for anti-trust regulation. When land is abundant and practically free, land use and pollution regulations are hardly needed because people are spread out and environmental effects (as far as people understood at the time) minimal. When people can appraise the quality of virtually all goods for sale on inspection, and nearly everyone grows what they eat, there is little need for laws regulating the safety of consumer goods. Arcane financial instruments could not bring an economy to its knees in an era in which banking was primitive and much of the economy was not monetized. So there was little need for complex financial regulation. In the absence of any notion of central banking or modern monetary policy, the gold standard was a better policy than one allowing states to issue paper money at will—a practice that led to

destructive inflation in Paine's day. Paine's America probably came as close as anywhere in the world to avoiding market failures, as contemporary economists define them.

One issue, however, continued to bother Paine near the end of his life: widespread poverty. In *The Rights of Man*, he argued that poverty in England could be solved by rebating the taxes the poor paid to support England's king, court, sinecures, military, and colonial system. Roll back this wasteful spending, end the poor rates, and there would still be a surplus that could be rebated to the poor or spent on educating their children, which would prevent their falling into poverty as adults.

Implicit in his thinking was a more systematic appreciation of the causes of poverty. It could not be simply due to a corrupt state oppressing the poor with excessive taxes to fund wasteful spending, or to monopolizing and other forms of state favoritism. People needed access to education to avoid poverty. In "Agrarian Justice," Paine went much further in questioning the adequacy even of the system of nearly universal self-employment that he saw in America. The great defect of such a system is that it makes families depend on labor to avoid poverty. What happens when, due to old age, disability, illness, or death, there is no one in the family able to work? The rich had a stock of capital on which they could live without working. To prevent poverty, everyone would need something comparable. Paine proposed a system of universal social insurance, including old-age pensions, survivor benefits, and disability payments for families whose members could not work. In addition, he proposed a system of universal stakeholder grants for young adults starting out in life, which they could use to obtain further education or tools, so their labor would earn enough to avoid poverty. This was the first realistic comprehensive social insurance proposal in the world, and the first realistic proposal to end poverty.

Paine insisted that this did not represent an abandonment of his principles of private property and free markets. Individualist to the last, Paine justified his social insurance system on strict Lockean property principles. Revenues for social insurance would come from an inheritance tax, which in his day amounted to a land tax. This was just, because landowners, in enclosing a part of the earth that was originally held in common by all, had failed to compensate everyone else for their taking. Even if they had mixed their labor with the land in the original appropriation, this entitled them only to the value their labor added to the land. They could not claim to deserve the value of the raw natural resources, or the value of surrounding uses that enhanced the market price of land. Each member of society was entitled to their per capita share of these values. So, landowners still owed a rent to everyone else. By this reasoning, Paine justified social insurance as a universal right, not a charity.<sup>86</sup>

This emergence of a systematic economic account of poverty, not tied to corrupt special favors dealt out by the state, was to remain underdeveloped in Painite radical labor ideology. English radicals such as William Cobbett and the Chartists continued to focus on political corruption as the source of the independent worker’s oppression. The idea of social insurance as a systematic solution to a problem inherent in a system that let free markets be the sole mechanism for allocating income had to await the rise of socialism before it was taken up again—and then, ironically, by socialism’s enemies. Bismarck, the notorious anti-socialist who banned the activities of the German Social Democratic Party, implemented the first social insurance program in the world.

Even as the Industrial Revolution was bringing the presocialist era of egalitarian labor radicalism to an end in Europe—Chartism breathed its last gasp in 1848—the dream of a free

society of equals built on independent small producers continued in the United States through the Civil War. This was the ideal on which the antebellum Republican Party was founded. Its central principle, anti-slavery, was based not so much on the moral wrong slavery inflicted on the slaves (although this was acknowledged), as it was on the threat slavery posed to the self-employed worker. The central platform of the antebellum Republican Party was to prohibit the extension of slavery in the territories. The creation of gigantic slave plantations in the territories would absorb land that would otherwise be available for free men to make it on their own as yeoman farmers, and consign them to wage labor for the rest of their lives.<sup>87</sup> President Lincoln articulated the view of his party. He rejected the theory that all workers must either be wage workers or slaves—either hired or bought by capital—and, if hired, “fixed in that condition for life.” This he condemned as the “mud-sill” theory of society—the idea, advanced by proslavery Senator James Hammond of South Carolina, that every society needed an inferior class of people consigned to drudgery, on which to base civilization, just as every soundly built house needs to rest on a mudsill.<sup>88</sup> Lincoln advanced a rival view

that there is not, of necessity, any such thing as the free hired laborer being fixed to that condition for life. . . . Many independent men in this assembly doubtless a few years ago were hired laborers. And their case is almost, if not quite, the general rule. The prudent, penniless beginner in the world labors for wages awhile, saves a surplus with which to buy tools or land for himself, then labors on his own account another while, and at length hires another new beginner to help him. This, say its advocates, is free labor—the just, and generous, and prosperous system, which opens the way for

all, gives hope to all, and energy, and progress, and improvement of condition to all.<sup>89</sup>

This progress of free labor to full self-employment is what the “society of equals” was all about.<sup>90</sup>

Was the Republican promise truly “for all”? The Homestead Act of 1862 was an attempt to fulfill that promise. However, to masses of wage laborers in the big Northern cities, this was already an unrealistic dream that did not speak to their needs as workers. It was even more unrealistic for free blacks, Chinese indentured servants, Mexican-American peons, and American Indians, who occupied “halfway houses of semi-free labor.”<sup>91</sup> The Thirteenth Amendment, which abolished slavery, attempted to advance that promise for nonwhites. Under it, peonage and other forms of involuntary servitude were prohibited—although litigation against various forms of peonage continued well into the 1940s, long after the dream of universal self-employment was dashed forever. More revealing for our purposes is the fact that the Thirteenth Amendment was the basis for the Civil Rights Act of 1866, which banned racial discrimination in the sale and rental of property. That a law banning slavery supported a right to buy land made sense only given a background ideology that identified free labor with self-employment, which required that the worker could buy or rent his capital. Yet that promise was left unfulfilled by the failure of the radical Republican’s vision of Reconstruction, which would have divided the former slave plantations among the freed people.

Even had the radical Republican program of Reconstruction been enacted, its ideal of free labor was doomed. What began as a hopeful, inspiring egalitarian ideal in the United States self-destructed in three ways.



First, the ideal of universal self-employment never managed to incorporate the unpaid domestic labor essential to family life, which was performed overwhelmingly by women. Congressional debate over the Thirteenth Amendment made it clear that women were excluded from the promise of fully free labor. Notwithstanding the amendment, husbands retained property in their wives' labor.<sup>92</sup> This was a contradiction inherent in the free labor ideal, as the independence of men depended on their command over their wives' labor.<sup>93</sup> Hidden in the ostensible universalism and hyperindividualism of the ideal was a presumption of male governance over their wives'—and children's—labor. The feminist movement, which arose from the abolitionist movement, was to highlight this contradiction, as women came to demand independent and equal standing in the workplace and at home.

Second, the Civil War, which ended slavery in the name of independent labor, ironically propelled the very forces that put the universalization of that ideal further out of reach, even for the class of white men. It was a powerful driver of industrialization, and hence of the triumph of large enterprises using the wage labor system over the small proprietor.

Third, the ideal contained an implicit esteem hierarchy that was ultimately to turn its egalitarian aspirations upside down. If the only fully respectable labor is independent, self-employed labor, if the way to attain recognition as an equal is to operate one's own enterprise, then what is one to make of those who remain wage laborers for their whole lives? Lincoln was clear: "If any continue through life in the condition of the hired laborer, it is not the fault of the system, but because of either a dependent nature which prefers it, or improvidence, folly, or singular misfortune."<sup>94</sup> Even in 1861, with the frontier still open, the burgeoning pace of immigration and urban industrialization

was outrunning the flow of men out West. Lincoln's disparaging judgment of wage laborers is akin to blaming those left standing in a game of musical chairs, while denying that the structure of the game has anything to do with the outcome. Thus, what began as an egalitarian ideal ended as another basis for esteem hierarchy: to raise the businessman on a higher plane than the wage worker.<sup>95</sup>

### **The Cataclysm of the Industrial Revolution**

The Industrial Revolution shattered the egalitarian ideal of universal self-government in the realm of production. Economies of scale overwhelmed the economy of small proprietors, replacing them with large enterprises that employed many workers. Opportunities for self-employment shrank dramatically in the course of the nineteenth century, and have continued to shrink to the present day. The Industrial Revolution also altered the nature of work and the relations between owners and workers in manufacturing, widening the gulf between the two.

There was a hierarchy of masters over journeymen and apprentices in the small-scale preindustrial workshop. Apprentices, in particular, without the right to a wage (like many American interns today), were unfree. Yet several factors constrained this hierarchy. Masters worked side by side with journeymen, performing the same labor while teaching apprentices the same skills. The fact that they performed work of the same kind as their subordinates, in the same workshop, softened the conditions of work. Masters could not make their subordinates labor in a shop whose conditions were so uncomfortable or unsafe that they would be unwilling to work there themselves. Nor could they impose a pace of work more relentless than they would be personally willing to endure. The pace of the

typical artisanal workshop was relaxed, and included many breaks. Masters fraternized with their journeymen. Alcohol passed freely between masters and journeymen even during working hours. Finally, in the United States through the early years of the nineteenth century, skilled journeymen enjoyed a reasonable expectation of being able to set up shop for themselves after a few years of wage labor, in the manner Lincoln thought was the norm. With such a short, easy bridge from one rank to the next, it was relatively easy for workers to reconcile the hierarchy that did exist with egalitarian republican values.<sup>96</sup>

The Industrial Revolution dramatically widened the gulf between employers and employees in manufacturing. Employers no longer did the same kind of work as employees, if they worked at all. Mental labor was separated from manual labor, which was radically deskilled. Ranks within the firm multiplied. Leading executives might not even work in the same building. This facilitated a severe degradation of working conditions. Workers were subject to the relentless, grueling discipline of the clock and the machine. Employers, instead of drinking with their workers, preached temperance, industry, punctuality, and discipline. Conditions were harsh, hours long, wages low, and prospects for advancement, regardless of how hard one worked, minimal.

The nineteenth century saw the spread of total institutions across society: the prison, the asylum, the hospital, the orphanage, the poorhouse, the factory. Jeremy Bentham's notorious prison plan, the Panopticon, was his model for these other institutions.<sup>97</sup> Other liberals, such as Joseph Priestley, allied with factory owners and social reformers to promote these new types of hyperdisciplinary institution. Here lay the central contradiction of the new liberal order: "Though these radicals preached independence, freedom, and autonomy in polity and

market, they preached order, routine, and subordination in factory, school, poorhouse, and prison.”<sup>98</sup>

Preindustrial labor radicals, viewing the vast degradation of autonomy, esteem, and standing entailed by the new productive order in comparison with artisan status, called it *wage slavery*. Liberals called it *free labor*. The difference in perspective lay at the very point Marx highlighted. If one looks only at the conditions of entry into the labor contract and exit out of it, workers appear to meet their employers on terms of freedom and equality. That was what the liberal view stressed. But if one looks at the actual conditions experienced in the workers’ fulfilling the contract, the workers stand in a relation of profound subordination to their employer. That was what the labor radicals stressed.

In this light, let us now return to the contrast between Smith and Marx with which this lecture opened. It is often supposed that their differing assessments of market society were based on fundamentally opposed values. Yet both marveled at the ways market society drove innovation, productive efficiency, and economic growth. And both deplored the deskilling and stupefying effects of an increasingly fine-grained division of labor on workers.<sup>99</sup> They differed rather on what they expected market society to offer to workers. Smith’s greatest hope—the hope shared by labor radicals from the Levellers to the Chartists, from Paine to Lincoln—was that freeing up markets would dramatically expand the ranks of the self-employed, who would exercise talent and judgment in governing their own productive activities, independent of micromanaging bosses. No wonder Smith’s optimistic representation of market relations focused on the butcher, the brewer, and the baker—all independent proprietors. Free market society could be championed as “left,” as an egalitarian cause, so long as “by far the most important”

of its effects was “the liberty . . . of individuals . . . who had before lived almost in a continual state of . . . servile dependency upon their superiors.” With the Industrial Revolution, the pervasiveness of markets in *labor* returned manufacturing workers to an even deeper state of subjection to their superiors than before. Smith, who despised selfishness, disparaged the quest to accumulate vast fortunes, and cited “the disposition to admire, and almost to worship, the rich and the powerful . . . [as] the great and most universal cause of the corruption of our moral sentiments” would not have approved.<sup>100</sup>

Preindustrial egalitarians had no answer for the challenges of the Industrial Revolution. Their model of how to bring about a free society of equals through free markets via near-universal self-employment was shattered. Advocates of *laissez faire*, who blithely applied the earlier arguments for market society to a social context that brought about the very opposite of the effects that were predicted and celebrated by their predecessors, failed to recognize that the older arguments no longer applied. Thus arose a symbiotic relationship between libertarianism and authoritarianism that blights our political discourse to this day. For what we have yet to adequately grasp is the nature of the challenge before us: *private government*.