Part 3

The Katallactic Moment
Exchange between Actor and Spectator

The chapters in this section attempt to explicate from the point of view of economic analysis the theoretical basis for the antislavery coalition between classical economists and biblical literalists. This theoretical basis cannot be just neoclassical economics made old and stupid, if for no other reason than that the early neoclassical economists made peace with the racism with which classical economists warred (Peart and Levy 2000). We risk getting things completely upside down if we read neoclassical back into classical economics.

The foundational difference between classical and neoclassical economics to which I should point is a difference in how many agents we need to populate an economic model. The current thinking among economists is that one suffices. And that one need not be human. The classical economics that descends from Adam Smith requires two. It takes two to exchange and talk.

And with two agents we need to make a foundational commitment: are these people the same or are they different? Reflect upon the texts discussed earlier; it is easy to see the relation between the biblical account of human homogeneity—all the people in the world share common ancestors—and Adam Smith’s account of human homogeneity. For a biblical literalist, the account in Genesis is true. The *Wealth of Nations* can be read this way: Let us model humans as if the Genesis account were true.

These two claims—one is a truth claim and the other is a claim about the best way to build a model—are not the same. In philosophical jargon, the former is a realist position and the latter is a pragmatic position. Evangelical Christians might well worry about Smith’s lack of commitment but gratefully employ his model for their common ends.

Instructively enough, if the modeler begins with two agents at the foundation then the supposition that each actor has a spectator comes for nothing. And if we suppose that the two are language users, then perhaps the actor and the spectator will have something to say to one another. Smith’s attitude is not, I shall argue, a simple matter of taste that we are at liberty to accept or reject on a whim. Rather, it flows from his acceptance of George Berkeley’s remark-
able demonstration that it takes two people to know something as simple as whether the proposition \( \alpha > \beta \) is true or not. In Berkeley’s theory of vision, the isolated viewer cannot distinguish between small objects up close and large objects far away. This is the “identification problem”—the realization that there are two unknowns—distance and magnitude—and one sense datum. The problem cannot be solved as stated. The Berkeleyan’s solution is for the viewer to obtain additional information. Information is carried in rules or heuristics. These rules or heuristics require at least a second person.

But this is not all that Berkeley accomplished. With what one might call his strict finitism, he demonstrated that one can accept the infinity of Heaven and Hell while denying that any such belief will have much impact on our behavior. As Berkeley writes as an unquestioned Christian, his coreligionists cannot therefore exclude consideration of the models of economists for whom Heaven and Hell have little if any motivational importance. I believe this is of central importance to the workings of the antislavery coalition.1

The disagreement between coalition partners on these issues do not come over the issue of how to model choice but rather of how to interpret the model. This offers an explanation of why well-informed opponents of the coalition could see little if any interesting differences between them.

**Broad Utilitarianism**

What do Christians and Utilitarians have common? In one respect this commonality is trivial. Francis Hutcheson, a Christian philosopher, first put forward the Utilitarian slogan. In the only full-length study of Smith’s life published in the twentieth century, Ian Ross puts Smith’s teaching in the context of the doctrines of his great teacher:

> Our account stresses the fact, however, that Smith does apply the criterion of utility, formulated by Hutcheson . . . as procuring the “greatest happiness of the greatest numbers” when evaluating practices, institutions, and systems (including economic ones). (1994, xxii)

But it surprises scholars to learn that Utilitarianism has roots in Scottish Christianity, if only because Utilitarianism is read as simple materialism. This is of course the foundational basis for F. R. Leavis’s important reading of Dickens, which we encountered in chapter 7. In the following sections, I propose to

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1. A. M. C. Waterman is turning his vast erudition to the historical oddity that only in Britain were major economists within the Christian tradition. I have stressed the importance of non-Christian economists in coalition with Christians, but these are not unrelated.
describe aspects of utilitarianism in Adam Smith’s work that bridge Hutcheson and Bentham.

As a way of focusing attention on this issue, I shall consider the assertion that Utilitarianism—read as supposing society to be an isolated individual writ large—could have served as a substitute for racism as a justification for racial slavery. By this claim is meant something vastly more interesting than the triviality that an anti-Utilitarian argument like Carlyle’s can be reexpressed in utilitarian dress. Thomas Holt makes a case that the hierarchy of culture could have been an effective substitute for the hierarchy of race. The scholarship revealed in his admirable study of how the Carlyle-Mill debate in 1849–50 was transformed into the one over Governor Eyre compels our attention:

Mill was no racist, but variants of his argument for Irish exceptionalism might provide racist thinkers a way of evading the inherent contradictions in liberal democratic thought. A philosophy that pictured society as an aggregation of innately self-seeking individuals had difficulty accounting for the influence of communal values and the impact of culture and history on human thought and behavior. To the extent that racial differences could be invoked to explain deviations from expected behavior, no adjustments in basic propositions were required. For racist ideologues the blacks’ cultural differences were cause to cast them into outer darkness, as exceptions to humankind. For liberals like Mill, those same differences could be invoked to make them objects of special treatment. In both cases, their “otherness” meant that basic premises about human nature and behavior, as applied to Europeans, need not be reexamined. (1992, 328)

The sentence I emphasize in Holt’s passage seems to me to be the heart of the matter. The assertion that utilitarianism in its broadest sense could have been substituted for racism in the justification of racial slavery is of course counterfactual. Could the fact that utilitarians were on the antislavery side of the debate only derive from the fact that they were good people?

Holt’s counterfactual assertion is supposed to follow from the fact that

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2. I have added the emphasis. Edward Said (1994, 14): “[I]t will not take a modern Victorian specialist long to admit that liberal cultural heroes like John Stuart Mill, Arnold, Carlyle, Newman, Macaulay, Ruskin, George Eliot, and even Dickens had definite views on race and imperialism, which are quite easily to be found at work in their writing. So even a specialist must deal with the knowledge that Mill, for example, made it clear in On Liberty and Representative Government that his views there could not be applied to India (he was an India Office functionary for a good deal of his life, after all) because the Indians were civilizationally, if not racially, inferior.” Said’s class of “liberal cultural heroes,” which includes Carlyle-Mill as one unarticulated whole as well as Dickens-Macaulay as another whole, is worthy of notice.
those theorists who considered society to be the aggregation of self-seeking individuals cut themselves off from a recognition of cultural differences when it came to explaining behavior. The argument, if I understand it well enough to fill in the gaps, works like this. The Utilitarian focus on the atomic individual forces Mill and other economists to think in materialist terms because by starting with the atomic individual they cannot take the fact of human relationships as foundational. Human relationships can at best be instrumental. If individuals in other cultures do not behave the way economic Utilitarianism predicts, then the fault may be attributed to the culture itself.

The failure of such a sparse theory of culture to explain actual behavior could have been used to justify the enslavement of that culture. This argumentative strategy is precisely how I have reconstructed the logic of racial quackery. Holt explains clearly and distinctly that this hypothesis is a counterfactual, and it is this counterfactual that motivates much of this introduction to the technical material to come.

I shall proceed by making the case that all too many “facts” that people “know” about Utilitarianism are simply false. And, since I do not want to drag around so many quotation marks, I need a label to describe these putative “facts” that are not real facts. I propose the word ffact. It has the virtue of being as ugly as the reality it describes. The first ffact is that the economists following Smith presumed an isolated atomic individual at the starting point of the analysis. The second ffact, which is intimately related to the first, is that Utilitarians thought mainly in material terms and as a consequence they were opposed by those who thought in higher, more spiritual terms. The third ffact is that a Utilitarian calculus maps unambiguously from individual well-being in material terms to social well-being through the mathematical operation described by “the greatest happiness of the greatest number.”

The first ffact will be challenged by the construction in the chapters to follow, which reconstruct the way classical economics of the Smith-Whately variant starts with two exchanging individuals. Because the issue is purely mathematical, the third is the simplest ffact to expose and has been dispatched a hundred years ago. What I propose to do here is to develop some consequences of this construction for the larger purposes of the book and to meet the

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3. I use the word aggregate in a vague sense, which includes mathematical operations other than addition. One of the technical points to be made subsequently is precisely that there are more ways of finding an “average” than by adding and dividing. The unfortunate feasible alternative to explicit technical matter is implicit technical matter.

4. Think about how one would go about generating the “greatest illumination with the greatest number of lamps” (Edgeworth 1881, 117). “Pure mathematics, on the other hand, seems to me a rock on which all idealism founders: 317 is a prime, not because we think so, or because our minds are shaped in one way rather than another, but because it is so, because mathematical reality is built that way” (Hardy 1990, 130).
challenge of the sort Holt lays down. Thus, I shall worry here about the second fact.

Violating conventional pieties, I shall argue that utilitarianism is not so much a philosophy as an agreement about the rules under which philosophical debates will be conducted.\textsuperscript{5} The rule is simply this: the well-being of a society is determined by the well-being of the constituents of that society and by nothing else. Agreement that this rule is “right” is only the price one pays to enter into debate; it does not solve any substantive problems because utilitarians—now broadly conceived—can differ both on how well-being is counted and on how to map from individual well-beings to a judgment of social well-being. Instead of agreement on positive results, one commonality is the conclusion that a certain type of argument fails. That was a justification of slavery on the claim that it was for the benefit of the slave.

What questions divide utilitarians? Perhaps the most important is: how do we actually determine human well-being? Do we look at what people do or at what they say about their choices? If we equate well-being with happiness, do we observe happiness directly or must we estimate it?\textsuperscript{6} Do we think about decisions in “worst-case” or “realistic” terms? Nineteenth-century disagreement cannot come as much of a surprise; utilitarians today do not agree on these issues either!

Anti-utilitarians as a matter of definition must therefore oppose any claim that one maps from individual to social well-being. And the alternative is what? The alternative with which we have been most closely concerned is Thomas Carlyle’s supposition that the goodness of a society can be judged on the basis of the order it reveals:

For \textit{Thou shalt} was from of old the condition of man’s being, and his weal and blessedness was in obeying that. Woe for him when, were it on the hest of the clearest necessity, rebellion, disloyal isolation, and mere \textit{I will}, becomes his rule. (1956, 266)

Order by exchange is the antithesis of real order; indeed, it is worse than order by terror:

Mammon, cries the generous heart out of all ages and countries, is the basest of known Gods, even of known Devils. In him what glory is there, that ye should worship him? No glory discernible; not even terror: at best, detestability, ill-matched with despicability! (611)

\textsuperscript{5} Loren Lomasky helped me see things this way.
\textsuperscript{6} Happiness is an internal matter; perhaps we ought to focus exclusively on aspects of well-being that might be shared? If we cannot directly observe this internal state, how can we still be utilitarians? Adam Smith’s answer will be studied later.
This passage frames the state terror that Carlyle would later defend.

While Carlyle succeeded in passing as the voice of DESTINY ITSELF, this privilege was denied to his disciples. The hegemonic status of utilitarianism required the lesser Carlyleans to give a utilitarian defense for slavery. When anti-utilitarians are required to reexpress their position in utilitarian terms, many things are made clear. Just why is slavery better for the slaves?

Recall James Froude’s explication of the “Negro question.” Slavery improved the condition of the slaves:

He did not mean that the “Niggers” should have been kept as cattle, and sold as cattle at their owners’ pleasure. He did mean that they ought to have been treated as human beings, for whose souls and bodies the whites were responsible; that they should have been placed in a position suited to their capacity, like that of the English serfs under the Plantagenets. (1885, 2:15)

Froude needs two claims to make his case. First, the white masters might be thought of as farsighted parents, and, second, the black slaves might be thought of as nearsighted children. As Froude is willing to express the most anti-utilitarian claims in the lingua franca of utilitarianism, we ought to see what follows from these facts. Were these facts facts, would they justify the Carlyle-Froude conclusion that the masters ought to have the slaves’ bodies and souls in their charge?

Consider figure 4, which will help explain how the debate played out. The picture is new, but the intuition here is far older, dating from a time before utilitarianism was a word heard in the world.7 There is only one individual to consider, so mapping from individual to social well-being will present no difficulty. Let the vertical axis—Good Stuff—be whatever metric of individual well-being we wish. Let the horizontal axis—Theory—represent the theorized understanding of how the world hangs together. Consider one particular theory—the Carlyle-Froude supposition of farsighted, benevolent masters and childish, nearsighted slaves—and call it $\tau$. Repaying our debt to Froude for his candor, stipulate that at $\tau$ slavery would indeed be better than freedom for the slave. At $\tau$ slaverity is paternalism.

Does figure 4, which expresses our stipulation of the Carlyle-Froude claim, justify slavery? Although some were persuaded, others were not. And as I reconstruct their argument it works like this: what happens if the theory is not exactly true? What happens if we deviate from $\tau$? This is not to deny that there

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is *any* benevolence in the slave owner; the argument will fail if there is any real deviation from *pure* benevolence because the defense of slavery on the basis of the interests of the slave is so fragile.

Two historical objections we have considered in some detail asked what happens when the world deviates from \( \tau \). What if there is in fact no real difference between masters and slaves other than experiences? Would not emancipation allow the slaves to become their own masters? What if our supposition of the benevolence of masters is not quite right? Suppose the masters have their own—not just the slaves’—interests to consider. Might not they notice that slaves are valuable assets and that one can obtain valuable assets through the sexual use of one’s slaves? The proslavery conclusion vanishes if \( \tau \) is not exactly true.

Getting market utilitarianism right is nontrivial in the context of disciplinary specialization. The most interesting textual instances to which I pointed earlier occur in the separate reviews by two great British economists, Nassau Senior and Richard Whately, of an American novel, *Uncle Tom’s Cabin*, in
which the voice of the British Carlyleans is confronted. Even specialists seem not to think to that this is how the debate might play out.8

These two objections to slavery do not of course exhaust the list. They do, however, have a basis in the economics of the time, which I can explicate. There is a third objection which I commend to the attention of specialists knowledgeable about the nineteenth-century revival of the Reformation controversy. When slave literacy was outlawed and the slave’s knowledge of the Bible was limited to what suited his or her master’s interests, is there reason to believe that God’s Word could penetrate this veil?9

The first objection accepts the benevolence of masters. The second and third deny it. The second objection asks whether sexual usage is conducive to a slave’s well-being. The third concerns the state of the slave’s soul. I shall argue that these are all utilitarian objections to slavery, with utilitarianism conceived as broadly as I believe necessary. It ought to surprise no one that those who advanced these objections differed among themselves on many issues. But those disagreements would wait until the world was remade and the great evil purged.

The reader might be surprised to learn that the simple point—and the picture drawn above to illustrate the point—is at the center of thinking in what is called “robust statistics.”10 The simple point is not only how a statistical procedure performs under ideal conditions but how it performs when those conditions fail. The intuition is very old;11 the machinery to make sure that the intuition is sound is rather new.

One of the reasons for the machinery employed below is to allow us to work through just how thinking in robust terms can illuminate the texts of classical economics. Why does Adam Smith worry about the well-being of the majority of society, the well-being of the median? Why does he worry about how people commonly overestimate the importance of the rich? If one perceives the rich to be demigods, raised by their position above human cares, then perhaps the Carlyle-Froude line of argument makes sense. If the rich slave owner is akin to a god, he or she surely must care for the slaves’ well-being.

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9. The illuminating “proslavery” commentary on Uncle Tom’s Cabin by “Nicholas Brimblecomb” asserted that those parts of the Bible describing how Moses led the slaves out of Egypt are abolitionist forgeries. “In all these observations, it clearly appears that Moses was not only an imposter and necromancer, but a wholesale enticer and robber” (1853, 156).
10. The greatest single work in this tradition in my estimation is that of D. F. Andrews et al. (1972). Economists of a Bayesian persuasion, I believe, have insufficiently reflected upon the estimator denoted LJS.
11. “Political writers have established it as a maxim, that, in contriving any system of government, and fixing the several checks and controuls of the constitution, every man ought to be supposed a knave, and to have no other end, in all his actions, than private interest” (Hume 1987, 42).
I propose to deny that utilitarianism is simply materialism. To this end, I propose to argue that for Smith the desire for approbation is important and that approbation is not some markup of material income. The importance of approbation for the argument to come is that without a desire for approbation Smith’s argument cannot explain trade. And, to add some zest to the argument, neither can neoclassical accounts!

This argument of Smith’s about the importance of approbation is not confined to such foundational questions as the basis of trade, nor is it something mainly confined to Moral Sentiments. On the contrary, the treatment in the Wealth of Nations of the effect of the desire for approbation carried by cultural norms on the rational choice of one’s occupation begins one of the great set topics in nineteenth-century British classical economics.

This example is worth considering prefatory to the detailed exercises to come. Here we see that the desire for approbation is completely unproblematic in the accounts of later economists of occupational choice. Stipulate with Smith that people are physically the same. Then, with the competitive assumption that any individual can select from any occupation, explain the distribution of money wages.

If all people are the same and they can all pick from any occupation, wouldn’t wages be equal? Indeed, Smith claims that this is so when we take wages to reflect the net advantages of employment. Money wages comprise one part only of the net advantage. There are five nonpecuniary considerations that Smith lists. Of these, only the first is of importance now.

First, the wages of labour vary with the ease or hardship, the cleanliness or dirtiness, the honourableness or dishonourableness of the employment. Thus in most places, take the year round, a journeyman tailor earns less than a journeyman weaver. His work is much easier. A journeyman weaver earns less than a journeyman smith. His work is not always easier, but it is much cleaner. A journeyman blacksmith, though an artificer, seldom earns so much in twelve hours as a collier, who is only a labourer, does in eight. His work is not quite so dirty, is less dangerous, and is carried on in day-light, and above ground. Honour makes a great part of the reward of all honourable professions. In point of pecuniary gain, all things considered, they are generally under-recompensed, as I shall endeavour to show by and by. Disgrace has the contrary effect. The trade of a butcher is a brutal and an odious business; but it is in most places more profitable than the greater part of common trades. The most detestable of all employments, that of public executioner, is in proportion to the quantity of work done, better paid than any common trade whatever. (1976a, 117)
Let us stop right now and walk through the argument. Smith does not make the leap from the assertion that an occupation is useful to the assertion that the occupation is approved. This is where the materialism reading fails. There is not the slightest hint that Smith denies the usefulness of either butcher or executioner even though they are both despised professions. Why is it, in Smith’s account, that when death is in the picture approbation does not tag along after usefulness? This, I shall argue, is one way to appreciate Smith’s emphasis on the importance of life expectancy as a metric of well-being.

There are social judgments that, as far as I can see, Smith makes no claim to understand. He uses the term *prejudice* in this context. Why, for example, are ballet dancers regarded as public prostitutes? Could not this judgment be reversed? Of course it could. Indeed, Smith works out the consequences. What about the social judgment that a man must follow his father’s occupation in the social context of a caste system? Even before book 1, chapter 10, Smith works out the consequence of this judgment, which it is enforced by state power. It is possibly worthy of notice that Smith’s example is informed by his knowledge about non-European cultures:

The police must be as violent as that of Indostan or ancient Egypt (where every man was bound by a principle of religion to follow the occupation of his father, and was supposed to commit the most horrid sacrilege if he changed it for another) which can in any particular employment, and for several generations together, sink either the wages of labour or the profits of stock below their natural rate. (1976a, 80)

One of the exercises to come will attempt to determine how Smith’s procompetitive stance is explicitly developed to enhance the well-being of the majority of the society in a sense that they can understand.

An account of the formation of judgment is the announced topic of *Theory of Moral Sentiments*, but the economists who followed Smith seemed not to care how approbation came about. For them, as long as the rational choosers desire approbation and wish to avoid disapprobation, their money wages would adjust.

Income from approbation or disapprobation can be modeled no differently than income from money wages. In Smith’s account, one trades the one for the other. If people trade material income for the approbation carried by social norms, then a utilitarian might select either as the basis of judgment. Consider figure 4 again. The Good Stuff could be material income or it could be one of

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12. The reader who “detects” a Eurocentric sneer has not read Smith’s polemic against local European policy, which kept the competitive market from functioning (1976a, 135–59). Smith’s point is only that the anticompetitive practices near at hand do not have a religious basis.
the systematic cultural norms (e.g., life expectancy) or one of the nonsystematic cultural norms (e.g., nonmarried sexuality).

The obvious objection to my casual recitation of facts from Adam Smith’s work here, or in the more detailed consideration to come, is to question my right to adduce arguments from this wide-ranging philosopher to characterize the doctrines of those narrow souls who followed. This objection illustrates the difference between a problem-oriented discipline like economics and humanistic disciplines in which personal opinion remains unconstrained. Let us reflect upon the judgments of later economists on how well Smith did in his attempt to solve this particular problem. And let us not forget that because the account in Smith’s chapter on wages within a market supposes homogenous individuals so acceptance of the results is consent to the homogeneity postulate.

We begin with David Ricardo, writing in 1821:

In speaking, however, of labour, as being the foundation of all value, and the relative quantity of labour as almost exclusively determining the relative value of commodities, I must not be supposed to be inattentive to the different qualities of labour, and the difficulty of comparing an hour’s or a day’s labour, in one employment, with the same duration of labour in another. The estimation in which different qualities of labour are held, comes soon to be adjusted in the market with sufficient precision for all practical purposes. (1951, 1:20)

The paragraph concludes with a note from the Wealth of Nations, book 1 chapter 10, which expresses Ricardo’s judgment that Smith said all there was to be said on the topic.

Perhaps not surprisingly, given this endorsement, J. R. McCulloch’s 1825 edition of Wealth of Nations prefaces the chapter this way:

This is one of the most important and valuable chapters in the Wealth of Nations. With very few exceptions the principles and reasonings are equally sound and conclusive. (Smith 1828, 1:164)

The reservations McCulloch will press in his notes concern what later scholars know as the “alienation argument.”

Is this just a Ricardian trope? Consider Mountiford Longfield’s sharpening of Smith’s argument. This is how Longfield begins:

This subject has been so well and perspicuously explained and illustrated by Adam Smith, that subsequent writers are in general content to copy from him. (1834, 65)
Here is how Smith’s conclusions follow from the assumption of local mobility:

Increased profits of bricklayers, or the diminished gains of barristers, will not induce any person to become a bricklayer who would otherwise become a barrister. Neither will the diminished profits of bricklayers, or the increased gains of barristers, enable a man who would otherwise become a bricklayer to pursue the profession of the bar, and by his competition reduce the gains of the profession to their proper level. This may be the case, and yet the due proportion between the gains of those two professions, so remote from each other, may be preserved by means of the intermediate professions. These act as media of communication. (84)

In what I consider to be the most interesting of all the editions of Wealth of Nations, E. G. Wakefield made the following assertion.

This, one of the most admired and admirable chapters in the Wealth of Nations, is allowed on all hands to be free from error, and to contain, even now, the only complete account of the subject to which it relates. (Smith 1835, 1:328)

Not surprisingly for a topic of this importance, it is easy to find discussion reflected outside the marginalia of successive editions of Wealth of Nations. Nassau Senior, as the consulting economist behind the New Poor Law, has perhaps reflected carefully upon the impact of disapprobation on our choices, as he adds texture to Smith’s account in his 1836 Outline:

But the fear of popular odium, and, what is always strongest amongst the least educated, the fear of popular ridicule, as they are amongst the most powerful feelings of our nature, are the most effectual means by which the wages of an employment can be increased. To Adam Smith’s instance of a public executioner may be added that of a common informer; both of whom are remunerated at a rate quite disproportioned to the quantity of work which they do. They are paid not so much for encountering toil as for being pelted and hissed. The most degrading of all common trades, perhaps, is that of a beggar; but, when pursued as a trade, it is believed to be a very gainful one. (1938, 201)

The final comment we quote on Smith’s analysis is from Mill’s Principles of Political Economy of 1852, the third edition, the one which follows the exchange with Carlyle:
A well-known and very popular chapter of Adam Smith* [*bk. 1, chap. 10] contains the best exposition yet given of this portion of the subject. I cannot indeed think his treatment so complete and exhaustive as it has sometimes been considered; but as far as it goes, his analysis is tolerably successful. (1965, 2:380)

In a paragraph added in the 1852 edition, Mill says this about theory and fact:

These inequalities of remuneration, which are supposed to compensate for the disagreeable circumstances of particular employments, would, under certain conditions, be natural consequences of perfectly free competition: and as between employments of about the same grade, and filled by nearly the same description of people, they are, no doubt, for the most part, realized in practice. But it is altogether a false view of the state of facts, to present this as the relation which generally exists between agreeable and disagreeable employments. The really exhausting and the really repulsive labours, instead of being better paid than others, are almost invariably paid the worst of all, because performed by those who have no choice. (383)

The debate with Carlyle over the Gospel of Labor raised this point with a vengeance. In Mill’s statement, Carlyle was proposing to fulfill his labor obligation by writing improving tracts while condemning black people to drain the swamps of the world.