

Mill's radical end of laissez-faire: A review essay of the political economy of progress: John Stuart Mill and modern radicalism

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Abstract Can John Stuart Mill's radicalism achieve liberal egalitarian ends? Joseph Persky's *The Political Economy of Progress* is a provocative and compelling discussion of Mill's economic thought. It is also a defense of radical political economy. Providing valuable historical context, Persky traces Mill's intellectual journey as an outspoken proponent of laissez-faire to a cautious supporter of co-operative socialism. I propose two problems with Persky's optimistic take on radical social reform. First, demands for substantive equality have led past radicals to endorse exclusionary nationalist and eugenics policies. It pushes some contemporary radicals towards illiberal interventions into intimate social life. Second, the radical critique of capitalism relies on an account of profit that neglects the epistemic function of private-property markets. Once this is acknowledged, capitalism retains some progressive credentials against radical alternatives.

Keywords *The political economy of progress: John Stuart Mill and modern radicalism* · Mill · Marx · Radical political economy · Co-operatives · Laissez-faire · Utilitarianism · Bentham · Rawls · Meade

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1 Introduction

The grim fate of many Enlightenment theories was dissection and disfigurement in the disciplinary chambers of the modern academy. Mill's expansive scholarship is a prime example. His enduring *On Liberty* (Mill 1977) remains a staple of free speech, privacy, and paternalism debates in philosophy. His closely related work in economics, by contrast, has not been so fortunate. Mill's early support for laissez-faire, turning latterly to socialism, rendered him a slightly confused figure in the canon, standing uneasily between classical and modern liberalism (Gaus 1983). Along with his involvement in the East India Company, it became easy to characterize Mill as an apologist of bourgeois liberalism with too little to offer either the industrial working class or those exploited under colonialism.

This is what makes Persky's (2016) study enormously valuable. Equal parts history of thought, intellectual biography, study in political economy, and radical manifesto, *The Political Economy of Progress* uncovers historical fault lines that show where different conceptions of political economy separated and, perhaps, how they might be re-united. Persky revives a radical Mill who was deeply, if imperfectly, engaged with the economic challenges of his time. He was keen to imagine a better, inclusive future and wanted to develop a social science that would help achieve it.

In what follows, I outline the contribution of each chapter, noting some of the historical links that Persky uncovers. Then I introduce two problems facing radical political economy. The first is that normative demands for substantial material equality can end up being allied to exclusionary politics, including nationalism and eugenics. The second is a weakness in the account of capital accumulation that Mill, as well as subsequent Marxist, and even neo-classical, economists have used to link capitalism with inevitably rising inequality. Austrian market process theory contests this account, suggesting that the radical critique of capitalism is partly misplaced.

2 Utilitarianism for and against laissez-faire

In a prologue, Persky establishes two key audiences for his work. First, scholars who admire Mill's philosophical contribution but have not fully recognized the clarity and coherency of his radical political economy. Second, modern radicals looking to enrich their account of political economy who have previously seen Mill as marginal to their tradition.

What is radicalism? For Persky, it is a distinctive commitment to economic and social equality combined with a progressive view of history. It is evolutionary rather than revolutionary, influenced by Marxist thought but rejecting illiberal regimes directly inspired by Marxist ideology. Radicals are distinguished from both liberal pragmatists, who are satisfied with economic arrangements so long as they deliver growth, and from labor liberals who wish to use collective institutions, such as trade unions, to empower the working class. Radicals insist that it is not enough to liberate workers as a class. They must also be freed as individuals to form and pursue their own unique life plans.

Unfortunately, radical policies have tended to be 'maddeningly' vague. As a result, radicalism is now more influential in philosophy than in practical politics. John Rawls (1999, 2001) arguably represent the zenith of philosophic radicalism. Persky's aim is to

recover a more systematic political economy from the history of the tradition in order to bolster progressive politics and bring innovative institutional mechanisms such as labor co-operatives and workplace democracy into public consciousness.

Part one provides the historical context to Mill's work. Chapter one explains the overlapping origins of Mill's utilitarianism. Mill owed a great deal to Bentham. Bentham, in turn, was inspired by Scottish Enlightenment political economy. However, Persky argues that the origins of the distinctively radical egalitarian aspects of utilitarianism lie in a milieu of continental thinkers, and especially Helvetius. Helvetius propounded the notion that it was education, not breeding, that explained all differences in capacity and character between individuals. This position divided the Scottish classical economists. Hume was skeptical; Smith was more favorable if not quite as forthright as Helvetius. It was thus from this egalitarian wing of the Enlightenment that utilitarianism, and Mill's own thought, originated.

Classical political economy bequeathed to Bentham an optimistic account of economic growth that linked it with higher wages for workers and the erosion of aristocratic privilege. In contrast to the unbounded optimism of Bentham's project, Mill faced a different intellectual context and influence. Debates in Mill's time were overshadowed by Malthus' challenge of population pessimism that undermined any simple account of economic growth leading to greater material prosperity. Malthus claimed that any increase in general standards of living as a result of economic growth would eventually be offset by a higher population. The only hope out of poverty was moral: persuading workers to abstain from sex, allowing a smaller population to claim a greater share of the produce. Mill did not agree with Malthus' moralizing but accepted the challenge of establishing prosperity without reliance on what was increasingly seen as unsustainable growth.

Chapter two explains how utilitarianism became a developed consequentialist moral theory, separate from previous theories of natural rights and virtue. Persky notes, in particular, the influence of Paley on Bentham. Critically, unlike later Marxist radicalism, utilitarianism does not associate either the public good or the majority interest with a particular class of people. No matter how rich or poor, everyone's interests were weighed in the social calculus even if they could not decisively influence the moral justification of every single policy. The implications of the equal weighting of all *individual* interests continue to be debated and refined in the left-liberalism of Dworkin (2013) and the right-liberalism of Buchanan (Buchanan 1999; Buchanan and Tullock 1999; Meadowcroft 2014).

Chapter three looks at how utilitarianism distinguished itself from classical approaches to political economy. Persky positions Bentham as a radical for capitalism in comparison to Smith's more moderate approach. Smith argued that 'usury' was legitimate and proper, but that interest rates should be regulated. Using psychological insights that show striking parallels with contemporary theories of behavioral economics, Smith suggested that over-optimistic speculators are too willing to take on excessive rates of interest. From a more thoroughly subjectivist standpoint, Bentham rejected such restrictions. He saw speculation as a key source of progress and the risks people willingly take in pursuing business with uncertain pay-offs as legitimate.

Chapter four considers what Persky identifies as the inadequate way utilitarian radicals engaged with the issue of private property. Utilitarians were ever keen to reject moral theories founded in superstition, and to sweep away traditional privileges in favor

of boundless freedom of contract. Yet, ironically, they shied away from critiquing institutions of property even though they are similarly steeped in theories of natural justice, often simply endorsing Hume's 'trivial' assumption that legally instituted material equality is incompatible with incentives to produce.

As Persky describes it, Mill was concerned to answer this challenge. However, he found himself defending only a theoretically sound institution of private property, one conditioned on an egalitarian starting position. This approach has parallels not only with contemporary liberal egalitarians but also left-libertarians who see the moral value and utility of voluntary exchange but bristle against a version that justifies the unequal holdings of the *status quo*. It is unclear how this abstract utilitarian justification of property rights could ever make legitimate real-world property holdings. Does this hypothetical justification mean we should acquiesce to property rights, that have their origins in predation and class conflict, because of their utility now, or is it a call for radical redistribution to make future voluntary exchanges legitimate?

Chapter five sees Mill developing his conditional defense of *laissez-faire*. Mill rejected explanations that profits arise through entrepreneurs fulfilling needs more competitively in particular markets. For him, all the underlying source of profits in a capitalist economy were derived from labor. Hence, distributions of profit and rent did not reflect the marginal contribution of each factor of production. Instead, they were determined by the class character of the capitalist system. Nevertheless, the accumulation of capital under *laissez-faire*, and the resulting increase in the productive powers of society, remained essential for social progress. Unlike Malthus, Mill was more optimistic about reaching a benign stationary state at the end of this period of accumulation. He noted three barriers to wealth accumulation: luxury, leisure and population increase. In his early incarnation, Mill thought that *laissez-faire* institutions, combined with the spontaneous moral progress of mankind, would provide sufficient motivation to overcome these barriers.

3 From *laissez-faire* to radicalism

Part two establishes some of Mill's later more radical approaches to policy, which included land reform and an incremental transition to a co-operative socialism. Chapter six deals with the distribution of land and inheritance. The kernel of these ideas emerged from Smith's opposition to primogeniture (inheritance laws that maintain large estates through passing on to first-born sons) and Bentham's suggestion for the state to redistribute vacant possessions upon the death of the owners ('supply without burden'), rather than actively tracking down distant relatives to inherit the assets (Waldron 1996).

These marginal changes in entitlement rules represented a path to redistribution that avoided the incentive problems of common ownership and systematic dispossession on death of the owner. Mill engaged with a variety of more radical streams, including William Thompson, Saint-Simon, and the Ricardian Socialists. Many of these traditions emphasized that the problem of inheritance was not merely for those that lacked assets, but for those granted too much which discouraged productive work amongst rentiers. The moral case here was that unlike capital, the value of land did not emerge from personal abstinence.

Mill resisted radical interventionist proposals and emphasized always the need to compensate those set to lose out through any change in property holdings. Nevertheless, he was a critic of the *status quo* and sympathetically explored policies such as taxation on pure location rents. He did not think that the land ownership structure in Ireland, then a key factor in the destitution and starvation of Irish tenant farmers and laborers, could be justified in the least (p. 105).

Chapter seven discusses the social aspects of Mill's approach to policy, including state welfare and the role of the family. As before, we see important overlaps with laissez-faire principles alongside humane concerns. While Mill subscribed to the classical notion that too much welfare support generated indolence and vice, he did not want to remove it altogether. Malthus opposed welfare not only because of the distortionary incentives on the worker in the labor market, but also because of its impact on family life. He argued support aimed at helping poor families often ended up being consumed, in alcohol and leisure, by the patriarch who controlled the household finances. Too much welfare support would break up family bonds that required economic incentives to be established and secured. Mill (1984), by contrast, had a very different end-point in mind, seeing patriarchal structures as something to be dismantled rather than supported (Donner 1993). He also imagined that empowered and educated working men and women would be able to exercise control over the size of their families.

Chapter eight considers working class education. Mill was not dogmatically laissez-faire on this. Like Smith, he endorsed a public subsidy to educate the children of working families. He proposed fining parents who failed to educate their children and a system of public examinations to make access to public roles more meritocratic. As in the case of women, Mill was willing to use state intervention in the interests of children, against parental discretion, thus puncturing more traditional notions of the public and private. However, he remained skeptical of a general state education. Persky notes that that while Mill latterly supported Robert Owen's co-operative socialism, he never adopted his interventionist education program.

Chapter nine turns to what is perhaps the most distinctive aspect of the radical tradition, proposals to replace private capital ownership with worker-owned co-operatives. The early Mill was skeptical of co-operatives. He found the incentive and management problems associated with co-operatives to be intractable. He feared that only a dangerous level of state intervention could displace a capitalist system that was still showing enormous economic progress. He thought that the socialized capital investment proposed by other radicals could be better spent on providing education for workers.

Mill's views changed as a result of engaging with British radicals, including Thompson, Owen, Babbage, and French activists, particularly Louis Blanc. He was also influenced by witnessing apparently successful real-world experiments in new small-scale communities and unions. Mill shared these theorists' interest in establishing alternative workplace environments that avoided both economic exploitation and permitted greater personal creativity and development amongst workers. Where they differed was on the means. Owen proposed a one-time imposition of a rational education on a new generation of workers in order to bring about his social revolution. Blanc endorsed the state redistribution of capital to develop worker - controlled workshops that would then be able to finance themselves.

Even in the radical mode, Mill saw greater opportunity for incremental improvement. He thought that worker co-operatives, if not legally discriminated against, had

competitive advantages over capitalist firms, advantages that would only grow as workers became more educated and self-empowered. As they developed, market forces would compel capitalists to lend to these co-operatives causing interest rates to fall until eventually all value in production returned to workers. While Mill latterly called himself a socialist, he neither aimed at central state planning of production nor endorsed revolutionary means to achieve his progressive aims.

4 Radical descendants

Part III examines Mill's various legacies. Chapter ten puts Mill alongside Marx. Despite their shared interests in empowering workers, Mill had very little to say about Marx. When Marx had anything to say about Mill, it was critical. His key attack was that Mill confused capitalist categories of production with underlying social relations. Persky suspects that Marx owed much more to Mill than he cared to admit, noting that they both have a Ricardian core and an essentially materialist view of social progress. Many of Marx's criticisms of Mill could have been intended as a form of 'brand differentiation' since it was important that his approach critiqued and transcended bourgeois political economy rather than merely build on it. There were certainly important differences. Marx believed that the material conditions of production played a much more central role in determining people's outlook and capacities, while Mill allowed for a wider role for personal agency as well as other social and intellectual conditions. Critically, both Marx and Mill believed that the distribution of economic goods could be separated from production, even if Mill remained content to use the notion of 'capital' as a term for intermediate goods for production even in the absence of a 'capitalist' owner.

By way of contrast, chapter eleven considers the Fabian movement, a group of socialists who were particularly keen to associate their ideas with Mill's liberalism. This movement had both familial and intellectual links to Mill. Helen Taylor, Mill's step-daughter, extended Mill's radicalism while diminishing his skepticism of state intervention. Mill had been reluctant to participate in managing state-financed free schools, but Taylor was more than willing. She also connected Mill's concerns with land ownership to the radical proposals for land reform of Henry George. Sidney Webb began his foray into politics as a member of the Zetetical Society, a small discussion group dedicated to Mill's thought.

Whereas Mill had been attracted to relatively small-scale trade and consumer associations as a model of future economic arrangements, the Fabians became ever more attracted to corporate and state formulations. This reached a culmination in Webb's apologies for Stalinism. As founders of the London School of Economics, the Fabians influenced new generations of progressive, politically active economists who worked within a utilitarian framework. This included Hugh Dalton, A. C. Pigou, and Nicholas Kaldor. Kaldor famously addressed the challenge of making interpersonal utility comparisons with his co-creation of the Kaldor-Hicks criterion. This justifies a policy where resulting social gains can theoretically compensate the particular losers. This forms the basis of many contemporary cost-benefit policy evaluations.

Despite their greater sophistication, Persky identifies an important motivation that these reformers share with Mill. This is the radical progressive belief that the right institutional change could both make society richer and more egalitarian at the same

time, thus reconciling a political dilemma between equality and efficiency (cf. Kenworthy 1995). This contrasts with Arthur Okun's 'leaky bucket' theory of redistribution that theorized that all interventions to improve the disadvantaged involved a trade-off in terms of incentives to produce.

In chapter twelve, Persky discusses Rawls' relationship with Mill which he finds to be much closer perhaps than Rawls himself acknowledged (cf. Riley 2014). Rawls established his own theory of justice as fairness as a contrast to utilitarianism. His famous critique is that utilitarian moral theories, though egalitarian in weighing people's interests, do not take sufficiently seriously the separateness of persons. This forms the basis of Rawls' priority of the right over the good, rehabilitating rights from their Benthamite status as 'nonsense on stilts'. As Persky notes, Mill's utilitarianism anticipated this approach. Mill had a similar lexical scheme prioritizing certain goods absolutely over others, the highest being liberty and security of the person (Riley 2003, 2008). Mill even gave these prioritized interests the status of rights though they were understood in political rather than abstract metaphysical terms (Zivi 2006, 2012).

Mill's influence can also be detected in the policy implications that Rawls drew out from his theory. Like the latter Mill, Rawls entertained the possibility of a liberal socialism that avoided use of a command economy. However, he was also hopeful that private property institutions could be radically reformed so as to be compatible with justice. James Meade, and his notion of a property-owning democracy, provides an important bridge between the Fabian stream and Rawlsian political philosophy here. Citing Mill's influence, Rawls was optimistic about a stationary, rather than a growing, economy. Indeed Rawls (1975) was skeptical of the value of ever-increasing personal wealth for self-actualization (Cf. Brennan 2007; Tomasi 2012).

The final chapter discusses the relationship between Mill and contemporary luck egalitarians. As a contrast to Smith, who thought that natural liberty should ensure that harsher, less socially attractive occupations would be rewarded more highly, Mill observed that it was often the reverse that was the case: the greatest efforts were rewarded least. This gross unfairness, that belies justifications for existing capitalism as a meritocracy, is a powerful motivating force for many luck egalitarians. Luck egalitarianism is part elaboration, part critique, of Rawls' theory of justice. Rawls was concerned to avoid social inequalities that resulted from human characteristics that are arbitrary from a moral point of view. Cohen (2008) used this intuition to radicalize the liberal-egalitarian position, using it to reject even Rawls' position that some limited unequal social positions might be justified on incentive grounds.

Noting Mill's sensitivity to fortune and fate, Persky draws a connection between these radically utopian approaches to contemporary political theory and Mill's reformulation of utilitarianism. Mill sees it as a moral commitment to progressively expanding 'the domain of justice' while shrinking 'the domain of luck' (p. 213) that nevertheless remains sensitive to the contextual psychological constraints of those obliged to carry out this historical task.

5 Ghosts at the feast

The radical position that Persky sketches is, in many respects, compelling and attractive. However, there is a shadow hanging over aspects of the tradition that is on the

periphery of Persky's account but requires further elaboration. The radicals' movement away from laissez-faire principles and towards support for social intervention coincided with an increasing acceptance of eugenic theories and practices (Leonard 2009). This reached its height on the left within the Fabian society in Britain, whose members were keen to associate their ideas with Mill, as well as the founders of the American Economic Association in the United States (Leonard 2003, 2005).

Rather than responding to Malthus, this element of the radical tradition ended up accepting a great deal of Malthusian population pessimism, allying it with race theories that were then in intellectual ascendant (Weintraub 2012, p. 58). After the Second World War, support for eugenics was muted; however, it did not completely disappear even amongst radicals. James Meade (2012, pp. 75–76) continued to endorse 'voluntary eugenics', essentially policies discouraging the less intelligent from having children in the hope of gradually reducing the supply of unskilled labor.

While endorsing Meade's political economy in general, Rawls (1999, p. 92) did not endorse eugenics policies in the same way as Meade, focusing on the more minimal obligation, of a current generation to future generations, to prevent the passing down of 'serious defects.' Nevertheless, Rawls's (2002) conception of justice was strictly bounded by nationality. This more or less excluded concerns with global justice and inequality. In terms of practical policy, Rawls was remarkably skeptical of international trade and multi-national political institutions such as the European Union (Rawls and Van Parijs 2003). This contrasts with laissez-faire liberalism that sees international free trade as a source of domestic prosperity and global peace.

At first, Persky (p. 178) dismisses eugenics as pseudo-science when discussing the Fabians. But the issue re-emerges as a more reasonable concern in the final chapter. Theories of 'social Darwinism' on which eugenics was traditionally based misconceive key aspects of evolution, mistakenly assuming it is readily amenable to rational control (Bequemont 2011). However, current scientific evidence suggests that genetic endowments do explain differences in some human capacities even as their implications vary widely according to the technological and social context with which they interact (Jones 2016; Perkins 2016; Plomin and Deary 2015). It is thus inevitable that social theorists will consider the implications of different genetic endowments. The critical issue is how to integrate these considerations without falling into the trap of differentially weighting people's interests on the basis of morally arbitrary inequalities, of which genetic endowments are a paradigm example.

This is where the radical predicament emerges. Radical egalitarianism is both positive and normative. The positive notion is that people are naturally equal in character and capacity, and only social conditions are responsible for inequality in outcome. The normative is that those social conditions should be removed, leaving a state of substantive equality between citizens. But what is the radical to do if it turns out not just to be social conditions that are responsible for inequality? One response is to remove from the political community 'defective' people that upset the utopic vision of equality. This path, that tempted the Fabians among others, ultimately justifies unequal, unjust treatment in aid of the uncertain goal of achieving a long-run pattern of equality and stability for those that remain included in the social calculus.

Another response is to endorse the radical luck egalitarian approach and suggest that substantive equality be pursued regardless of the reasons for unequal social conditions. The problem is that this seems to require a comprehensive institutional and individual

focus on all sources of inequality (Hankins and Thrasher 2015). The demands of justice penetrate so deeply that even the reading of bedtime stories to one's own children becomes a potential source of arbitrary inequality (Segall 2011). It does not leave much space for personal intimacy and the autonomous pursuit of unique life plans which is what arguably makes the Enlightenment liberal tradition attractive (Silver 1989).

An alternative is to moderate the normative motivation somewhat: accept that some level of material inequality will result from any political system that includes individual choice while continuing to weight all humans as equal in moral worth and dignity. A humane classical liberalism (there are certainly less benign versions of classical liberalism) aims at material improvement for all, combined with formal equality under the rule of the law. It is less likely to fall into justifying coercive population or social control. Critically, classical liberals emphasize the role of comparative advantage in facilitating economic co-operation between large and diverse populations (Aligica 2009; Simon 1989). In an inclusive market economy, even the least skilled members of a community can find a role that will ensure they receive a share of increasing gains from social co-operation. On this particular front, the classical liberal Mill, concerned not just with achieving the best for society but also avoiding worst-case scenarios (Farrant and Crampton 2008), has an advantage over the radical Mill.

6 A critique of the accumulation account of capital

A second concern is the notion of accumulation, which binds the radical commitments to social progress, egalitarianism and historically contingent anti-capitalism. In his summing up, Persky explains that Mill's radicalism anticipates 'key elements of the Marxian model' and 'has a political economy that makes sense of the process of accumulation' (p.217). Persky is correct to focus on this. This assumption that capitalism involves continual accumulation links together the Millian, Ricardian, Marxian and neo-classical conceptions of private property in the means of production and capitalist inequality.

In classical Marxian political economy, all value derives from labor, including capital assets. Surplus value (the market value of consumer goods over and above socially necessary wages for workers) are extracted as profits to supplement the capitalists' personal consumption and contribute to more capital accumulation. In this way, capital is 'dead labor' (embedded labor power from previous production processes) that produces a profit that capitalists reap just as a landowner reaps rent from farmers that need land to till.

Radicals are not committed to the labor theory of value in the same way as classical Marxists. However, radicals do not have to propose an abstract relationship between labor and capital to argue that capitalism will lead to progressively unequal outcomes. All they have to suggest is that capital assets have a given value in a persistent equilibrium and a resulting positive, relatively steady, rate of return (cf. Piketty 2014). That way, they can be analyzed more or less in the same way as rent. Indeed, this result can be drawn from the neo-classical economic paradigm (Kirzner 1996, pp. 211–212). In general equilibrium, all factors of production fetch their marginal product with the result that scarce resources that yield goods and services which are in particular demand produce a profit for their owners (Hicks 2001, p. 215). They produce a steady income without commensurate effort from the capital owner compared to someone who merely owns their own labor.

From an Austrian perspective, this account blurs notions of profit with rent. Knight (1921) suggests that the labor theory of value and the related rent theory of profit is based on a narrow and misleading reading of classical political economy:

the so-called “scientific” socialists... take the English classical treatment of profit in a narrowly literal way... [to] derive a simple classification of income in which all that is not wages is profit which represents the exploitation of the working classes. Capital is equivalent to property which is to be regarded as mere power over the economic activities of others due to the strategic position of ownership over the implements of labor. (Knight 1921, pp. 27–28)

On the Austrian account, profit is not simply another form of rent, the given result of a natural scarcity of a particular resource, or an institutional advantage held arbitrarily by a market actor (Samuelson 1947, p. 270). Instead, profit accrues to actors who correctly anticipate the needs of others and convey the relevant resources to where their greater value can be realized. While profit seeking is realistically motivated by self-interest, the pursuit of profit (and the realization of loss) performs a critical epistemic function, generating information about unmet needs and demands in the community (Boettke 2002; Hayek 1945, 2002; Kirzner 1997). Profits in their pure form are not rent because the role of particular capital assets is not given and known prior to attempting a productive venture but can only be realized afterwards in situations of inherent risk, uncertainty and ignorance (O’Driscoll and Rizzo 2015).

As a result, capital itself differs in two key respects from how it is conceptualized by radicals. The first is that even in physical form, capital tends to be depleted through its use in production (Hayek 2009; Kirzner 2012, p. 55). Indeed, some capital assets can spoil if unused, making their use time-dependent. The second is the best use of a particular capital asset is not known and whether assets can be put to profitable use is subject to a large degree of uncertainty. This means that agglomerations of wealth are not a given part of a capitalist system. A combination of skill, effort and luck is required to maintain the value of any capital assets. Some capital assets may go through phases where they produce outsized profits, but there is no reason to expect them to stay high and unassailable permanently.

These facts of uncertainty and capital depletion means that any class divisions that do exist are much more permeable than a radical or Marxian model assumes. In a competitive economy, capital alone does not guarantee success. Big capital, poorly directed, can very easily lose to small-scale ventures that have the know-how to generate profits as market conditions change (Rogge 1979). These epistemic challenges to capital maintenance apply even when increasing total wealth is not the goal as in Mill’s stationary state: ‘Adaptation and innovation in the face of constantly shifting resource scarcities are essential even when growth itself is not a priority’ (Pennington 2014, p. 398).

If this account is accurate, then there are two key challenges for radicalism. The first is that the role of capitalists in exercising control over workers and wider society is more limited than typically assumed. The reason for this is that capital owners are more like trustees of the existing capital structure than rentiers. Capital owners can make capricious use of their position but at the cost of expending their capital. Consumers

play a much more decisive role in deciding how capital assets are used and how they are valued. Capitalists can ignore the market signals produced by consumer demand if they wish but they are apt to lose their capital remarkably quickly if they do so. As Mises (1998), pp. 270–271) argued:

The direction of all economic affairs is in the market society a task of the entrepreneurs... A superficial observer would believe that they are supreme. But they are not. They are bound to obey unconditionally the captain's orders. The captain is the consumer. Neither the entrepreneurs... nor the capitalists determine what has to be produced. The consumers do that. If a businessman does not strictly obey the orders of the public as they are conveyed to him by the structure of market prices, he suffers losses, he goes bankrupt, and is thus removed from his eminent position at the helm. Other men who did better in satisfying the demand of the consumers replace him...

The slightest deviation, whether willfully brought about or caused by error, bad judgment, or inefficiency, restricts their profits or makes them disappear. A more serious deviation results in losses and thus impairs or entirely absorbs their wealth. Capitalists, entrepreneurs, and landowners can only preserve and increase their wealth by filling best the orders of the consumers. They are not free to spend money which the consumers are not prepared to refund to them in paying more for the products.

This argument does not suggest that capital owners possess no advantages at all over those without capital. It is merely the case that capital owners in an ideal-type market society are in a sufficiently precarious position that it would be a mistake to describe them as members of a permanent class.

Moreover, capital owners possess a direct trade-off between using their capital to pursue their own private ends and trying to maintain the advantaged position that they currently hold. Those who manage to maintain that position over a period will do so because they are following market signals that reflect consumer demands, rather than their own designs on the community. In this sense, ideal-type competitive market institutions have a built-in check that prevents the rich and successful from infringing on the civil and personal liberties of the relatively disadvantaged.

The second challenge is that worker co-operatives and workplace democracy no longer look so attractive. Capital assets derive their value only from their successful application to production in conditions of uncertainty and change. Information about these values can only be determined through a market-driven process of trial and error. Errors in production mean that the value of particular capital investments can easily go unrealized or even be destroyed. Under capitalism, workers and investors in a failed enterprise walk away while whatever remaining assets are recovered at a discount by a differently configured enterprise. Firms that are dis-embedded from a community can be allowed to fail without imposing excessive costs on society or those involved as workers.

By contrast, under a co-operative system where private investment is prohibited or extremely limited, either the community or the workers in the enterprise will have to invest capital themselves. When particular firms inevitably fail, the community or the workers will have to face the loss of capital in addition to the loss of jobs. What has

been lost is the ability to allocate and diversify risk. In addition, all the effort of participating in democratic management, as well as personal investment in the success of a firm, will be frustratingly wasted for those unfortunate enough to be involved in failing firms. There are advantages to keeping at least some personal commitments and creative motivations separate from one's workplace identity.

An alternative approach to progressive reform avoids some of these problems by helping workers become capitalists. It encourages them to cultivate their own private assets in the form of bonds, shares, and real estate. In this sense, people would have a dual identity as workers in one particular enterprise and as property-owners in the productive economy as a whole (see Drucker 1976 for a critical response to this ideal). Policies to generate this can take the form of tax credits or subsidies for workers as they save. This 'classless capitalism' has parallels with Meade's (2012) property-owning democracy so certainly draws influence from the radical tradition. In terms of workplace organization, however, it could look similar to the mix of private, public and co-operative firms that one sees in existing commercial societies.

7 Re-uniting radicalism and laissez-faire

In contrast to some left-liberals (cf. Freeman 2001), Persky includes libertarians within the broad church of liberalism. On the other hand, he neglects some developments in classical liberal social theory. He discusses Hayek centrally to note that he competed, eventually unsuccessfully, for Kaldor's intellectual support at the LSE. He does not address Hayek's (1945, 2007) distinctive epistemic challenge to alternatives to capitalism, a critique that is now being related back to the Millian tradition (Tebble 2016).

Persky's own reading is certainly defensible. Mill is not a libertarian (Cowen 2016). Nevertheless, there is a stridently individualist strain to his radicalism inspired especially by Humboldt (1854). The influence of Humboldt's minimal government doctrine is curiously underplayed in Persky's narrative. This raises a question that I suspect Persky would answer ultimately in the negative: can one support a limited state and an extensive commercial society while still being a radical? This will remain a point of contention.

While I challenge the implications of Persky's radical thesis, *The Political Economy of Progress* is provocative, insightful, and educative. Clearly written with good narrative pacing, it is essentially accessible to the educated general reader. It is certainly suitable for students while being an enormously valuable source of reflection and orientation for professional philosophers, sociologists, historians of political thought and, indeed, economists.

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