LEGITIMATING INEQUALITY: FOOLING MOST OF THE PEOPLE ALL OF THE TIME

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> "The ideas of the ruling class are in every epoch the ruling ideas: i.e., the class which is the ruling material force of society is at the same time its ruling intellectual force. The class which has the means of material production at its disposal, has control at the same time over the means of mental production, so that thereby, generally speaking, the ideas of those who lack the means of mental production are subject to it" (Marx 1846).

> "A study of the history of opinion is a necessary preliminary to the emancipation of the mind" (Keynes 1926: 11).

> "Under the Darwinian norm it must be held that men's reasoning is largely controlled by other than logical, intellectual forces" (Veblen 1919: 441).

ABSTRACT: Over the three decades leading up to the crisis of 2008, inequality dramatically increased in the United States and Great Britain. What stands out, but is seldom noted, is that this occurred within democracies where the relative losers – the overwhelming majority – could in principle have used the political system to block or reverse rising inequality. Why did they not do so? A glance at history reveals that peoples have only very infrequently contested inequality because they were led to believe that their inferior status in terms of income, wealth, and privilege was just, that it was not really so bad, or that it was necessary for their future well-being. Ideological systems legitimated a status quo of inequality, or in more modern times even increasing inequality. This article surveys the manner in which inequality has been historically legitimated, first predominantly by religion, then predominately by economic thought. Attention is then focused on the manner in which contemporary economic science and its popular interpretations in the media have served to legitimate inequality in the U.S. since the mid-1970s. The paper concludes with a reflection on the unique conditions that enable the legitimation of inequality to be delegitimated.

KEYWORDS: Ideology, class power, utility of poverty, trickle down, vertical social mobility.

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Over the three decades leading up to the crisis of 2008, inequality significantly increased in most countries, and did so dramatically in the United States and Great Britain. What stands

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out, but is seldom noted, is that this occurred within democracies where the relative losers – the overwhelming majority – could in principle have used the political system to block or reverse rising inequality.

Why did they not do so? Two ready hypotheses are: Heightened inequality is in fact in the majority's best interest and this is well understood. Or, the majority is being hoodwinked. The first hypothesis is difficult to defend. Research demonstrates that beyond some level necessary to bring forth economic incentives, greater inequality correlates with lessened economic dynamism (Alesina and Rodrik 1994: Easterly 2002; Persson and Tabellini 1994; Garrison, and Lee 1992); with poorer public health and shortened longevity (Marmot 2004; Wilkinson and Pickett. 2006; 2007; Subramanian and Kawachi 2004), with greater racial and ethnic tensions and higher crime rates (Kelly 2000; Fajnzylber et. al 2002); with lessened social mobility (Jäntti, et. al. 2006; d=Addio 2007); and with a weakening of democracy (Bostany 2006; Phillips 2002; Wolin 2008). As for the second hypothesis, that people are hoodwinked, a glance at history reveals that peoples have only very infrequently contested inequality. And when they have done so, it was generally in the wake of dramatically worsened conditions for the less-privileged.

Class or other group-based inequality can be maintained by either physical or ideological force.[1] Physical force has often been necessary for initially establishing and solidifying a hierarchical social structure. However, brute force is relatively inefficient in that it generates strong resentment and the constant threat of insurrection. It is also costly in terms of policing resources. A far more efficient and effective long-run strategy is for the elites to generate an ideological system that convinces "both themselves – and more important, members of subordinate groups – of the moral and intellectual legitimacy of the existing social order..."

(Sidanius 2001: 309).[2] Subordinates must be led to believe that their inferior status in terms of income, wealth, and privilege is as it must be. Since the rise of civilization, such ideological systems have legitimated societies' distribution of income, wealth, and privilege.[3] This hoodwinking concerning inequality has been a major sub-story of human history.

During most of this history, religion played the major role in legitimating inequality. With the rise of capitalism, and secular society generally, economics, wearing the mantle of science, came to do so.[4] This article surveys the manner in which inequality historically has been legitimated, first by religion, then by economic science. The argument is not that all legitimation of inequality has been by religion and economic science, but that these two thought domains have been predominant. Arguments grounded in race, ethnicity, and gender have also been common. The article concludes with a reflection on what might be necessary for inequality to be seriously put into question; on what would delegitimate the legitimation of inequality.

TRADITIONAL SOCIETIES AND RELIGIOUS LEGITIMATION

During over 95 percent of our species' existence, when humans survived as hunters and gatherers and then early agriculturalists, there was relative equality in material and social terms.[5] But since the dawn of civilization, considerable and even quite extreme inequality has existed in income, wealth and privilege. And this inequality has always been legitimated such that most folks found it acceptable, even when it meant their lives were filled with extreme hardship and misery. The extraordinary power of such legitimation is that it establishes what Haines and Jost, call "'status quo biases' whereby people tend to favor whatever option is perceived as the current one and to avoid choices that require change. [Further] ...providing justification makes people feel more comfortable with inequalities of status or power, even when they are in a relatively disadvantaged position. Thus, reasons and justifications serve a placating function when it

comes to the preservation of power" (2000: 222; 223). More striking, "people may be more willing to accept relatively illegitimate accounts than is commonly assumed...[and the authors] found that people misremembered the explanations that were given to them as more legitimate than they actually were" (232).

Most traditional societies were divided into essentially two classes: A small, relatively elite class (about 15 percent of the population in pre-modern Western Europe; about 2 percent in pre-revolutionary China), and a poor class made up of all others, living at the edge of mere subsistence (Jones 1997: 4). Often the superiority of the elite was demonstrated by their appearance. As a result of their wealth, better nutrition and health care, they were more sophisticated, cleaner, and on average typically taller, more robust, and suffering fewer signs of ill-health such as deformed bodies, facial pimples or blemishes, and open or poorly healing wounds. And, of course, they were far better clothed. The inherent superiority of the elite was there for all to see.

But beneath appearances, underlying inequality in traditional societies was a legitimacy usually provided by religion.[6] Inequality, like all social conditions (indeed all conditions, whether social or other) were as the gods required. Moreover, status conditions were not amenable to change.

Legitimation is the process by which social knowledge explains and justifies prevailing social reality.[7] Legitimation per se is neither good nor bad. It is unavoidable. Our instincts do not provide us with full guidance as to how to behave in our world. It is human culture that supplements our instincts to provide us with fairly complete and stable relationships. In this sense, humans are the only animal that must symbolically maintain a sense of "appropriate" or "right" action (Berger and Luchmann 1967: 48).

Typically, legitimations are both cognitive and normative in character. That is, they not only inform as to what is but as to what ought to be as well. As to the latter, Kelman notes that "What characterizes legitimacy at its core is that it refers to the moral basis of social interaction" (2001: 55). Legitimations need not be literally true: "the issue of 'truth' is essentially irrelevant to an ideology's ability to legitimize and justify group-based social inequality: ideologies can serve as legitimizing instruments regardless of whether they are 'true' or 'false' in any epistemic sense" (Sidanius et al 2001: 310-11). There will, nonetheless, be an insistence on the truth value of legitimization systems whether provided by religion in tradition-guided societies or by social science in modern societies.

In pre-modern traditional societies, religion served as the predominant, if not nearly the exclusive means of legitimation.[8] Religion provides a status to prevailing social institutions that transcends their human genesis. As Berger has expressed this, "Religion legitimates social institutions by bestowing upon them an ultimately valid ontological status, that is, by locating them within a sacred and cosmic frame of reference" (1967: 33). In this manner, social institutions are accorded the stability and inevitability that is ascribed to the ultimate spiritual and material realms. Religious legitimation of social institutions provides individuals with enormous solace by providing them with an ultimate sense of rightness. It is in this manner that inequality was provided with legitimacy. It was the will of god, or the gods, or the cosmically mandated, and therefore the way it must be. As Berger puts it, "One of the very important social functions of theodicies is, indeed, their explanation of the socially prevailing inequalities of power and privilege....theodicies provide the poor with a meaning for their poverty, but may also provide the rich with a meaning for their wealth" (1967: 59).[9]

Religion enabled the pharos of ancient Egypt convincingly to claim themselves to be gods. Elsewhere, from the ancient Mayans in the Americas to the late medieval era in Europe, rulers would pretend, even to themselves, of course, that they possessed special relationships to the gods, or divine rights to rule. Their special status justified their inordinate share of everything.

Religious legitimation of inequality typically worked at two levels. Directly, it claimed that the status quo distribution was appropriate to the cosmic order. Indirectly, it diverted attention away from the material world to a spiritual or moral domain.[10] It reinforced a static view of reality. Every thing and everyone had their proper assigned place in this god-given reality.[11] It devalued a this-worldly existence in favor of a spiritual realm, and thereby depicted the greater hardships and suffering of the less well off as unworthy of serious attention. As pyramids, temples, cathedrals, and churches attest, the material costs of maintaining the worldly manifestations of this legitimation structure were enormous.[12]

What may have been the most extreme and effective role in legitimating inequality by religion occurred in India. A frozen religious stratification assigned everyone a place or function. Indian Brahmanism was brought to India in the second millennium B.C. by Aryan conquerors from what is now southern Russia. These invaders developed a perfectly rigid caste system that served to perpetuate their dominance and induce the acquiescence of the lower classes. As Hindu doctrine, everyone's status is determined by his or her karma or behavior in a previous life, and in this sense, everyone deserves his or her current status. If good karma is expressed in this life, then promotion to a higher caste in a next life becomes possible through reincarnation.

Good karma was understood to mean a resigned and obedient life. All other forms of personal achievement were excluded in principle. Caste membership prescribed occupation and sumptuary rights. This static world was depicted as perfect, a world in which everyone and everything had its proper place. Thus to contest the status quo was not only to violate the sacred order but to condemn oneself to a yet lower and more miserable status in the next life. And, of course, there was no good reason to be dissatisfied with one's miserable condition. It is one's just deserts and it is merely temporary, only this short lifetime. A virtuous life – not rocking the boat – will ensure a better deal next time.

It was because religions serve this legitimation function that Marx asserted that AReligion is the opiate of the people@ (Marx 1844). Yet the fact that legitimation may serve to augment or preserve the privileges of the elite does not entail that the world should be broken down into good guys and bad guys. Elites sincerely believe the doctrines that serve their interests.[13] They believe them to represent the will of the gods or the exigencies of science. And they typically believe such doctrines to be in the best interests of everyone.

EMERGENT CAPITALISM AND THEOLOGICAL REVOLUTION

In an important sense, Protestantism served as a transition religion between a predominantly traditional agricultural world dominated by Catholic doctrine and a more modern commercial one dominated by secular thought. The rise and spread of markets slowly eroded the self-sufficient communities of the middle ages in which somewhat of a safety net was provided for the poor. Moreover, the expansion of market society generated an ever-expanding class of free laborers -- a proletariat -- that lived largely outside the support of traditional communities. Members of this class possessed neither ownership nor rights to the means of production. They could survive only by selling their labor power to an owner of such resources.

Catholic doctrine fit the legitimation needs of medieval European societies, but it was not well suited to the evolving institutions of capitalism. For instance, the Catholic Church was uncomfortable with profits, interest, alienable property, and even markets generally.[14] Protestantism, however, evolved most rigorously where capitalism was emerging most robustly, and thus came to be doctrinally better suited to legitimate the evolving institutions of markets and private property.

Protestantism, especially in its Calvinist expression, legitimated an uncharitable attitude toward the poor -- the far greater part of society. According to the Calvinist doctrine of election, God had chosen the saved and the damned. Thus if one were poor, it could be presumed that thus was the will of God. The doctrinally privileged position of the poor within Catholicism[15] and the virtue of charity gave way under Protestantism to a reduced level of concern for the poor, relieving those of means from any strong sense of responsibility to provide assistance to the poor, either individually through charity or collectively through social welfare policy. To survive, the poor would have to locate someone to hire them. This put pressure on the unemployed to accept any form of employment, no matter how onerous, dangerous, or ill-paid, thereby keeping downward pressure on wages and thus favoring profits. And by relieving the well-off of the need to be charitable, it left them with more surplus to save and invest.

Also, unlike Catholic doctrine, Protestantism had little problem with the pursuit of wealth.[16] It had little difficulty with those capitalist institutions and practices that the Church had found so opprobrious, such as alienable land, market-determined prices, profit and interest. And almost as if to take all the fun out of being elite, Protestantism, again especially in its Calvinist expression, discouraged luxury or superfluous consumption and thereby encouraged saving.

The Idea of Equality

The expansion of capitalist markets slowly increased the size and wealth of a class whose economic power was grounded in its ownership of productive capital as opposed to land. But this expanding bourgeoisie encountered resistance to its quest for political power and social recognition commensurate with its wealth, and its struggle for power and status ultimately set the ideological framework for the evolution of the doctrine of social equality. This, of course, was hardly their intent. They merely sought the same rights, privileges, and status as the aristocracy. They had no intention of sharing any of this with the working and peasant classes socially beneath themselves. Indeed, they actively attempted to block any extension of their acquired gains to those below.

Initially viewed as socially inferior to the aristocracy, the bourgeoisie had to justify its bid for equality. And it was problematic to claim equality with the aristocracy only for their own class, since such an argument was hardly different in kind from the aristocracy=s insistence on its uniqueness. Further, the aristocracy had tradition, or the weight of the past, on its side. Hence, doctrines that suggested what might be called a universal humanity postulate B that all humans everywhere are equal B were embraced. Any threat that this might lead to redistribution seemed remote, given the elite=s monopoly on political power.

THE EARLY RISE OF ASCIENTIFIC@ LEGITIMATION OF INEQUALITY

As religious legitimation weakened with the rise of secular society, inequality came to be increasingly legitimated in economic terms, although until fairly recently it was frequently supplemented by religious argument.[17] An early secular expression found in the works of numerous Mercantilists is the Autility of poverty@ doctrine (partially captured by what modern economists refer to as the backward-bending supply curve of labor). The utility of poverty

doctrine suggested that should wages rise above mere subsistence, workers would work less, thereby decreasing society=s output and weakening the state.[18] It legitimated state-enforced maximum wages capping what employers could legally pay, thereby ensuring that the working class remain in relative poverty. It also led some, even the relatively liberal Bernard de Mandeville, to argue that workers would work harder if they were not only kept poor, but also uneducated, or as he put it, it is "...requisite that great Numbers of them should be Ignorant as well as Poor" (1924: 288).[19] The utility of poverty doctrine also generated arguments to tax workers to force them to work longer hours for their subsistence. Thus, even David Hume, who generally rejected the utility of poverty argument, would nonetheless recommend imposing a tax on the poor to goad them into working more (1870: Part 2, no. 8, ATaxes@: 247). And to appease social conscience as to the workers= welfare, it was argued that having either greater free time or more income would result in debauchery or sinful behavior on the part of workers.[20] Low wages and poverty were thus in everyone=s interest B the Autility of poverty.@

The French Revolution, with its radical call for a new order grounded in *liberté, égalité, et fraternité* spread fear of the lower classes among the elites, especially in the wake of the assumption of power by Robespierre and the onset of the Reign of Terror. Thus the calls for democracy would be resisted, often with property requirements for the franchise. The wealthy classes B the aristocracy and bourgeoisie B feared that the realization of wider freedoms and democracy would spell the dispossession of the wealthy. The ideology that was at the service of their retention of privilege was that their privilege was functionally good for society, essential for social harmony and progress. The elites were superior, they believed, carrying and developing the requisites for civilization.

However, as doctrines of equality became ever-more entrenched in social consciousness,

the idea of the innate superiority of the elite weakened, and indeed would ultimately become politically taboo. To legitimate their privilege, the elites would appeal evermore to the functional legitimacy of inequality in the terms of the evolving Ascience@ of political economy.

Adam Smith is generally acknowledged as the father of modern economics. This credit comes to him for conceptualizing an economy in which the forces of supply and demand guide the economy as a whole toward a state of equilibrium. Borrowing from the Physiocrats, Smith played an important role in applying the mechanistic cosmology of natural law to the social world. Markets came to be seen as natural phenomena, and thus the outcomes of markets possessed a nature-like character not unlike the natural laws of the physical world. If left alone – *laissez-faire* – then resources would be allocated efficiently. The distribution of income, wealth, and privilege that flowed from market processes was natural, and therefore good.[21] No assistance need or should be offered to the poor.

Of critical importance to this cosmology is the view that in pursuing their own self-interests, individuals further a higher social outcome that was not part of their intention, as if guided by Aan invisible hand.@ Pursuing one=s self-interest, which most traditional religions had viewed as sinful, now became morally, socially, and Ascientifically@ respectable.

Whereas Smith rejected the utility of poverty argument,[22] and his views were generally charitable toward the poor, the greater part of his disciples maintained harsher views toward the less fortunate. They continued to embrace the utility of poverty argument -- nothing can be done to help the poor without making them and everyone else worse off. Of the English Poor Laws, for instance, David Ricardo asserted: "The principle of gravitation is not more certain than the tendency of such laws to change wealth and vigor into misery and weakness...until at last all classes should be infected with the plague of universal poverty" (1819: 86).

In addition to the utility of poverty argument, the post-Smithian classical economists provided grounding for three additional arguments that could be used politically to block pressures for greater equality: the Malthusian population doctrine, the wages-fund doctrine, and a Atrickle-down@ thesis.

The Malthusian Population Doctrine

In 1798 the Reverend Thomas Malthus re-crafted a surplus population doctrine[23] that served for 70 years as a principle legitimation doctrine for inequality.[24] The doctrine he set forth in *On Population* was grounded in his contention that APopulation, when unchecked, increases in a geometrical ratio. Subsistence increases only in an arithmetic ratio@ (1970: 9). The reason for this bleak condition is that the poor are ruled by their passions[25] in a world in which the supply of land is ultimately fixed. Thus to improve the lot of the poor through higher wages or welfare measures would only enable the poor to parent more children, putting further strains on available land, and thereby decreasing productivity and general economic well being. Consequently, an argument for greater equality Aoffends against the cause of truth@ (1970: 68). He noted that Athe principle argument of this *Essay* only goes to prove the necessity of a class of proprietors and a class of labourers@ (1970: 177). The poor -- the far greater part of humanity -- are condemned by the laws of nature to live at the edge of starvation, and in fact, often starve:

> It has appeared, that from the inevitable laws of our nature some human beings must suffer from want. Those are the unhappy persons who, in the great lottery of life, have drawn a blank (1970: 143).[26]

Malthus's population doctrine generated a quietist attitude toward the poor: "No possible sacrifices of the rich, particularly in money, could for any time prevent the recurrence of distress among the lower members of society, whoever they were" (1960: 39). Nothing can be done.

Inequality and the misery of the poor are part of the divine scheme.[27] Moreover, Malthus= population doctrine laid the responsibility for poverty on the poor themselves. They were incapable of controlling their sexual appetites. The rich need feel no guilt and no need to be charitable.

His population thesis was to serve as a principle doctrine for legitimating inequality until late in the nineteenth century when the failure of improved living standards to produce concomitant increases in family size sent the threat of Malthusian over-population into remission. However, it would resurface again in the early 1970s in response to food shortages and starvation in several poor countries, against a backdrop of a post-World War Two population explosion in the third world and a growing concern that natural resources were running out.[28]

Malthus added two other justifications for inequality, and especially for the existence of a non-producing landlord class. Unlike most members of the Classical School who believed the economy would be automatically self-adjusting, Malthus believed that under certain conditions there could be a Aglut@ of commodities due to Aineffectual demand.@ For demand to be adequate AThere must ...be a considerable class of persons who have both the will and power to consume more material wealth than they produce...[and] In this class the landlords no doubt stand preeminent@ (1964: 400). Second, the elite status of this leisure class is merited, because its behavior and consumption have led to the development of Aall the noblest exertions of human genius, all the finer and more delicate emotions of the soul@ (1970: 176-77). Further, AIt is an historical truth which cannot for a moment be disputed, that the first formation and subsequent preservation and improvement of our present constitution, and of the liberties and privileges which have so long distinguished Englishmen, are mainly due to a landed aristocracy@ (1964: 380). Preservation of a non-productive class was thus the key to retaining and furthering the

benefits of civilization itself.

The Wages-Fund Doctrine

Classical economists argued that there was a fixed fund of capital out of which wages could be paid. This Awages fund@ was made up of previously produced items that labor consumes, principally such goods as food, housing, and clothing.[29] This fund was fixed by output in the previous period, thus carrying the implication that any attempt to raise general wages would be futile. The wages fund doctrine meant that combinations of workers (labor unions) could not increase the welfare of the working class, and if they were successful at raising the wages of their own members, it would be at the expense of other workers. In this manner, the wages-fund doctrine became a powerful ideological weapon against struggles of workers to organize in order to improve labor's well-being.[30] In England, it gave Ascientific@ legitimacy to the Anti-Combination Acts of 1799 that had been legislated to curb the rising power of the working class. Even John Stuart Mill would embrace the doctrine until 1869.[31]

TheATrickle-down@ Thesis

Since at least Adam Smith, the most ever-present economic doctrine legitimating inequality has been what has come to be called the Atrickle-down@ thesis.[32] Economic dynamism results from saving and investment, and it is presumed that only the well-off carry out these functions. The presumption is that if there were greater equality, there would be less saved and invested and thus less economic growth. Because everyone benefits from a dynamic, growing economy, inequality benefits even the poor B the benefits trickle down to everyone, or in another common metaphor, a rising tide lifts all boats. Accordingly, even social thinkers and political economists such as John Stuart Mill and Alfred Marshall, who sincerely sympathized with the poor, nonetheless argued that any substantial lessening of inequality would sap the

springs of capital accumulation.[33]

More recently, as will be seen more fully below, the trickle-down doctrine became central to supply-side economics and tax cuts for the rich beginning with Ronald Reagan in the U.S. and Margaret Thatcher in Great Britain.

NEOCLASSICAL ECONOMICS AND THE CONTRIBUTORY ARGUMENT

The latter part of the 19th century witnessed a revolution in the nature of economic theory and increased sophistication with whick economic science would legitimate inequality.[34] The classical school had referred to itself as political economy because it saw economics as the handmaiden of politics. It typically examined economic phenomena within the broad institutional framework of society. The neoclassical revolution narrowed the focus almost exclusively to the market nexus in an attempt, as George Stigler has put it, to transform economics Afrom an art, in many respects literary, to a science of growing rigor@ (Stigler 1941: 1).

Contemporary mainstream economics is constructed upon the fundamental orientation set forth during this neoclassical revolution. Indeed, it is often still referenced as neoclassical economics. The most potent doctrine that neoclassical economics would re-craft and add to the already formidable arsenal of economic doctrines that legitimate inequality is the contributory approach.

The rudiments of the contributory defense of inequality had been found in the works of many classical economists, most notably Jean-Baptiste Say, Nassau Senior, and Frédéric Bastiat. But its modern and far more theoretically sophisticated expression rests upon the marginal productivity theory of factor payments set forth at the end of the nineteenth century, especially the version developed by American economist John Bates Clark. Marginal productivity theory

can be expressed in a purely objective manner as an explanation of how income is distributed in a market economy, without necessarily implying anything Afair@ or Agood@ about this distribution. In the preface to *The Distribution of Wealth*, Clark asserted AIt is the purpose of this work to show that the distribution of income of society is controlled by a natural law, and that this law, if it worked without friction, would give to every agent of production the amount of wealth which that agent creates@ (1908: v).[35] However, it has been easy for theorists to slide from the positive theory of marginal productivity to a normative theory of distribution based on contribution. Clark himself was quick to do so and to hold up his theory as a defense of the distribution of income in modern capitalist economies against socialist critics.[36] Clark wed the analytics of marginal analysis and natural law cosmology to legitimate the prevailing distribution of income.

The contributory defense of inequality holds as its fundamental tenet that individuals *ought* to receive rewards from the economy that are commensurate with their contributions to the economy. Thus, the concept of desert is central to the contributory approach: individuals deserve more from the economy to the extent that they contribute more to it. This normative variant of marginal productivity theory -- the marginal contributory theory of distributive justice -- is unquestionably the most influential example of this contributory view.

In its modern textbook expression, marginal productivity theory seeks to explain the distribution of income among factors of production (inputs), and therefore, indirectly, among individuals who own these factors. It assumes an idealized competitive market economy, wherein factors of production are compensated on the basis of their marginal contribution to the creation of market value. All units of a particular factor of production are compensated on the basis of the market value directly attributable to the last unit of that factor hired, known as the value of

marginal product (VMP) of that factor. The VMP of any factor of production is dictated by three factors: a) the technical productivity of this factor; b) the demand for the output this factor contributes to producing; and c) the supply of this factor.

The theory implies that if a worker's earnings are low, it is because the VMP for the type of labor or other factor that she supplies is low. To some extent, the underlying factors that explain this may be beyond her control. Perhaps her technical productivity is low because she is working with aged or inadequate capital. Perhaps there is weak market demand for the output of her industry. Or perhaps there are too many others competing to supply labor services like hers. But whatever the specific reason, all factors of production are assumed to contribute to production, and all are compensated on the basis of their marginal contribution.

Marginal productivity theory insists that it is only in an abstract, perfectly competitive economy that factors of production would in fact tend to be compensated on the basis of their marginal productivity. It also often claims that this is the Anatural@ pattern of distribution in a market economy. It does not necessarily imply there is anything ethically defensible about it.

But from this basic theoretical framework, apologists for inequality have crafted ways to generate ethical defenses. These have taken two basic forms. The first appeals to a Anatural law of economic life@ that involves some variant of the following chain of reasoning: a) Distribution on the basis of marginal contribution naturally emerges in an idealized, competitive market economy; b) Market economies have brought in the greatest material gains in human history, and should be treated with respect; c) To interfere with the patterns of distribution in a market economy would be to threaten the foundations of the market economy; d) Therefore, the greater good dictates that the patterns of distribution that arise in a market economy be accepted. Implicit in this chain of reasoning is the claim that differences in economic outcomes create the basic

incentives to productive activity in a market system, and that therefore to alter such differences would impair economic dynamism, to the ultimate detriment of everyone.

This argument is also expressed in terms of general equilibrium theory, whereby a perfectly functioning market economy is depicted as the most efficient system for fulfilling material human wants. Accordingly, any departure from pure laissez-faire market economics to reduce inequality would impair efficiency and reduce social welfare.

The second strategy for using marginal productivity theory to justify distributive outcomes is what might be called an appeal to fairness in ownership: Aif you made it, it=s yours.@ If whatever a given class of inputs receives in a market economy reflects the output attributable to that class of inputs, then to deny it that compensation would be a form of stealing or exploitation; conversely, to transfer more to it would be arbitrary. Those who express this normative twist to justify tax cuts for the wealthy have used the pithy slogan: AAfter all, it=s your money.@

Together, the positive and normative variants of marginal productivity combine a Ascientific@ view of the social world with an ethical view amenable to huge economic disparities. However, the contributory approach is open to three principal criticisms:

First, it is impossible to meaningfully isolate the marginal contribution of any one factor of production from the contributions of others. This is not just a practical measurement problem (although it is that as well); it goes deeper. In many cases, factors of production are so interdependent in the productive process that the very concept of assigning a marginal product to any one factor becomes meaningless.

Second, it is questionable whether marginal productivity theory could possibly have any real-life relevance, even if it were granted conceptual coherence. Technically, marginal productivity theory applies only to an economy of perfectly competitive markets with certain

assumed formal conditions, such as constant returns to scale and decreasing marginal product for all individual inputs. Should any of the formal assumptions fail to hold, marginal productivity theory does not apply.[37] The requirements for perfect competition are very stringent, and few real-world markets even approximate this ideal. Real economies have Aimperfections@ resulting from increasing returns to scale and other forms of monopoly power, licensure, wage legislation, subsidies, and externalities. Thus, it cannot be so easily assumed that real economies tend to distribute rewards on the basis of marginal contribution. A degree of monopoly power is prevalent in many, if not most markets,[38] as are externalities.

Third, marginal productivity theory deals with functional returns to abstract inputs, leaving open the question of how Afair@ returns to these inputs are to be translated into Afair@ returns to real people. What individuals can contribute depends upon what they have been able to capture from society. But what if an individual owns some valuable factors of production through sheer luck, e.g., birth to a wealthy family or with natural talents? Does that individual still have an ethical claim on the returns to these factors? Even if we allow that the factors themselves in some sense Adeserve@ rewards that reflect their marginal contribution, this does not necessarily mean that those who happen to own those factors also Adeserve@ these returns.

THE KEYNESIAN ANOMALY

It is by no means the case that all economic theories have served to legitimate inequality. Indeed, many economists have found excessive inequality to be one of capitalism=s major failings, not only because they believed it unjust, but also because they believed it impairs economic dynamism. However, these economists and their theories have generally remained outside the mainstream of economic thinking. A striking exception, insofar as he might be considered mainstream, was John Maynard Keynes.[39]

Keynes= economics matured during the Great Depression of the 1930s. In the face of dramatic contraction in production and massive unemployment, the prescription of the prevailing mainstream of economic theory was that the economy should be left alone so as to spontaneously return to dynamism and full employment. Keynes challenged this. Under certain conditions market magic will not do the trick. To grasp why, he focused upon economic aggregates such as total demand, investment, savings, consumption, and employment. He concluded that the crisis was due to inadequate total demand, and that government intervention in the form of greater spending was necessary to restore the economy to full employment. But he added a special, radical kicker: inequality was part of the problem! Because the less well off spend a larger percentage of their incomes, redistributing income to them would increase total consumption and thereby help protect the economy from falling into recessions or depressions due to inadequate total spending.[40]

Keynes also claimed that a science of economics could not be value-free,[41] permitting him to continue to wear the mantle of science when he claimed that AThe outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes@ (Keynes 1936: 372).

Keynes= view of inequality challenged the trickle-down economics that had dominated economic and political thinking since the origins of modern economics more than 150 years earlier.[42] He legitimated government intervention to reduce inequality, not merely in the name of justice, but for the well-being of the economy, and therefore of society. His doctrine represented an ideological reversal: in place of trickle-down theory legitimating inequality, Keynesian economics depicted greater equality generating greater economic dynamism -- a trickle-up theory.

Although Keynesian economics was highly influential for more than 30 years, its

dominance occurred during the decade of the 1960s. And ironically, the doctrine would encounter heavy weather just as it was gaining its fullest acceptance (in 1971, Nixon was the first prominent Republican to embrace Keynesian economics).

Inequality lessened during the three decades when Keynesian economics was highly influential, suggesting that the accepted economic theory tends to be supportive of the real-world status quo.

DRAWING UPON CONTEMPORARY ECONOMIC SCIENCE AND SOCIAL THOUGHT TO LEGITIMATE INEQUALITY

The mainstay argument justifying inequality in the U.S. today -- the (marginal) contributory approach -- draws its supposed scientific status from neoclassical doctrine. As discussed above, it claims that inequality reflects the differing economic contributions made by various individuals in a market society. This approach is strongly complemented by what could be called the incentive approach.

The contemporary expression of the incentive approach combines the first incentive argument made by mercantilist economists in the form of the utility of poverty doctrine with trickle-down doctrine. The incentive argument first targeted at the poor has been generalized to the behavior of not just the poor, but of all economic actors, and especially the rich. In the 30 years leading up to the crisis of 2008, the incentive argument for inequality was the most virulent one. This story will be detailed below, after two other principal arguments legitimating inequality are addressed. Both of these arguments draw less directly from economics, but share the same basic philosophical tradition and are typically conflated with economics. These are the libertarian or rights approach and the fluid vertical social mobility approach.

The Libertarian Argument

Libertarian philosophy and neoclassical economics share a set of common intellectual roots in the Western Enlightenment tradition that sets the autonomous individual at the center of the social world. Many of the most distinguished intellectual defenders of inequality B such as the late Milton Friedman and his colleagues from the Chicago School B view the social scientific and libertarian arguments as complementary, and freely mix them in their writings for general audiences. This has resulted in a widespread but mistaken tendency to view these two approaches as one.

Like those who invoke a marginal contributory approach to justify inequality, libertarians insist that any degree of inequality can be acceptable in an ethical sense, and healthy in a social-economic sense. However, libertarians do not insist that economic distribution ought to be deserved, to reflect economic contribution. Rather, they are solely concerned with the issue of how a given distribution comes about, and specifically with whether the process involves the violation of anyone=s rights. Thus if a single individual were to receive almost all of society=s income without violating anyone=s rights, that distribution would be viewed as entirely just and reasonable.

The ethical foundation for libertarianism is the single, broadly-conceived, and inviolable right of self-ownership. This means that individuals have a right to dispose of their persons and legitimately-acquired property as they choose. The right of self-ownership entails the Anegative rights@ to liberty, physical security, and property. Therefore, libertarianism proscribes outside interference with the right of individuals to do as they please with themselves or their property. This right to self-ownership may be justly limited only to the extent that one individual=s exercise of it threatens others= claim to the same right: AMy right to extend my fist ends where your nose begins.@

The only proper roles for government are setting and enforcing the rules of the economic game, and safeguarding individuals against violations of their rights by others. Because they believe participants in markets are free B no exchange occurs unless all participants freely give their accord B libertarians share the preoccupation of mainstream economics with the market sphere. A concept of distributive justice based on the right to self-ownership gives someone an ethical claim on others= time, property, or resources only through voluntary contracts or where there is need for restitution for past rights violations.

Justice never permits the state B or anyone else B to take legitimately-acquired property from some individuals in order to give to others, no matter how great the benefits to recipients, relative to the costs to donors. All such transfers would involve confiscation or coercive taxation and thus constitute an unacceptable infringement of the right to self-ownership.[43] Any resulting reduction of inequality would involve greater injustice than the toleration of it.

The most influential statement of libertarianism is Robert Nozick=s 1974 book, *Anarchy, State, and Utopia.*[44] Nozick=s main contention is that for a government to intervene in the market-given pattern of distributive outcomes involves unacceptable infringement upon individual rights, and is therefore unjust. Nozick argues that the difference between the libertarian and marginal contributory approaches can be reduced to the difference between *entitlement and desert.* We are *entitled* to anything we get without violating others= rights, but this does not mean we deserve it, in the sense that we have earned it.

This concept of libertarian entitlement helps defenders of inequality resolve the question of unearned assets (such as natural talents and inherited property) that poses a dilemma for the contributory defense of inequality. It is not that people deserve their inherited fortunes, but rather that their parents had a *right* to do as they pleased with their wealth. The crucial distinction for

the libertarian view is that just distribution has nothing to do with compensation on the basis of economic contribution.

Many spokespeople for libertarianism conflate the contributory and moral defense of inequality. This is the case with the highly influential Ayn Rand, whose books still sell more than a half million copies each year. Incidentally, she also drew inspiration from Nietzsche's conception of *Űbermenschen,* living in societies where they are constrained by the weak and lazy (Chait 2009). Highly influential people such as George Gilder, Charles Murray, Gale Norton, Alan Greenspan and Martin Anderson have claimed to have been strongly guided by her thought.

Much of the libertarian vision is highly attractive to an individualistic society such as the U.S. But even in the U.S. it meets with some obvious criticisms. For instance, its view of rights is generally deemed too narrow, concerned only with negative (freedom from) as opposed to positive (freedom to) rights. It does not, for instance, recognize a right to equality of opportunity. Yet there is widespread agreement that individuals should not be greatly hobbled from birth by factors beyond their control. And this value implies that individuals have a claim to certain primary goods (e.g., food, housing, education, and basic health care that are generally seen as comprising a necessary foundation for effective biological and social functioning).

The functional definition of Aproperty@ in a libertarian society is also problematic. One=s own body might constitute personal property by any reasonable definition, but beyond that the issue of property is less clear-cut. Practically, property is an extremely complex issue that must be settled through detailed legal codes, within even the best of which some gray zones remain. More philosophically, libertarianism has its roots in the natural rights philosophy that developed during the 17th and 18th centuries as part of an intellectual struggle to ground legitimation in the

natural as opposed to spiritual realm. But the claim that there are natural rights is no longer compelling. Rights are social creations.[45] And like all social creations, their identity and legitimacy can ever be redefined to best meet what is judged as socially ideal.

The most sweeping objection to the libertarian view, however, is simply that outcomes matter, or as Isaiah Berlin famously put it, ATotal liberty for the wolves is death to the lambs@ (1990: 63). The libertarian fixation on processes and indifference to outcomes often leads to conflicts with widely-shared moral intuitions, and even common sense. For example, taken to its logical extreme, libertarianism must claim that no consequences could justify the slightest infringement upon the right to self-ownership. Thus it would be no violation of justice if 10,000 children were to starve in a famine-stricken village as a consequence of all local grain stores having been bought by a wealthy absentee speculator who is holding out for an anticipated price rise.

The Fluid Vertical Social Mobility Approach

The fluid mobility approach argues that inequality is not terribly important, since by dint of hard work, anyone can get rich. It assumes that there is equality of opportunity. This idea of fluid vertical mobility draws upon and is nourished by mainstream economics, especially its conception of human behavior. Mainstream economics assumes that humans are free to choose among bundles of preferences. It fully ignores the social formation of these preferences, the ways in which the economy might shape them. Preferences are simply taken as given. And because all are free to choose, there is an implicit presumption of a fundamental equality of opportunity for all, such that the child of a drug-addicted prostitute would have the same chance of succeeding as the child of a Rockefeller. Americans tend to accept great economic disparities in their society, so long as opportunities for upward mobility exist for those who would take advantage of them.

In the nineteenth century, Alexis de Tocqueville and Karl Marx both noted an exceptionally high degree of vertical mobility in the U.S. and termed it AAmerican exceptionalism.@ However, whatever might have been the case in nineteenth-century America, today such exceptionalism seems no longer valid. A recent study (Jäntti, et. al. 2006) of vertical mobility in six wealthy countries (Denmark, Finland, Norway, Sweden, the United Kingdom, and the United States)[46] has found that the U.S. has less mobility than the other five. As the authors put it, AThe only crystal-clear result is that there is less intergenerational mobility in the U.S. than in the other countries@ (17). This is supported by a recent OECD study (d=Addio 2007) that finds upward mobility between generations to be lower in the U.S. than in Canada, Sweden, Germany, Spain, Denmark, Austria, Norway, Finland, and France (2007).[47]

Yet Americans continue to believe the myth of American exceptionalism. More than people of other countries, Americans generally believe that it is not so important to have wealthy parents to get ahead, that people are rewarded for effort, that people are rewarded for skills and anyone can acquire them, that the distribution of income is fair, and that government should not intervene to reduce income differences (Wisman 2009). Consequently, Americans more readily take credit for their successes and find the poor responsible for their poverty (Alesina, Glaeser, and Sacerdote 2002).

LEGITIMATING INEQUALITY IN THE U.S. TODAY

The contributory, incentives, trickle-down, libertarian, and fluid vertical mobility approaches to distributive justice have continually provided a powerful theoretical and political under-girding for those who oppose efforts to reduce inequality through policy. These approaches even favor policies that serve to increase inequality, such as tax cuts for the rich and cuts in public goods and social welfare for the poor. The contributory argument insists that those

who have more in our economy are typically those who contribute more, with the claim that this is both natural and just. The incentives argument suggests that inequality, or even more of it, is necessary for bringing forth behavior that contributes to economic dynamism.[48] Its trickle-down corollary claims that redistributing income to the rich who will save and invest it is best for everyone. The libertarian view asserts that policy measures to reduce inequality are more unjust than the inequality itself, because the former involves the violation of individual rights and the latter does not. And the fluid vertical mobility argument suggests that inequality is not an issue since anyone can by dint of diligence make it to the top.

All five approaches are grounded in theoretical constructs that distort social reality. For example, the contributory approach presumes that the U.S. economy approximates the competitive market model found in textbooks. Yet the actual economy clearly diverges from this model in many ways -- imperfect competition, imperfect information, increasing returns to scale, externalities, etc. The incentive argument is likewise unconvincing. Some inequality is certainly necessary for incentives. However, it is not convincing that inequality need be great to bring forth adequate incentives, as is demonstrated by the robust economic performance of economies where inequality is relatively modest. The trickle-down approach assumes that extra income will be productively invested as opposed to spent on luxury consumption or on speculative assets. The libertarian approach assumes that inequality is the result of voluntary interactions among well-informed, rational individuals, operating within a fully-specified legal system that is itself inspired by libertarian values. Those who draw on this approach to stymie efforts to reduce inequality implicitly deny that sleight-of-hand by the powerful, rather than the free choices of all economic actors, might underlie some existing inequalities B or, more insidiously, the laws and institutions that sustain them. And, as noted above, in the U.S. today the fluid mobility argument

is simply not nearly as valid as widely believed.

The Thirty Years Prior to 2008

Relative stagnation in the U.S. during the 1970s in the form of slow growth, high unemployment, and high inflation created a crisis for the aggregate demand orientation of Keynesian economics. It nourished a renaissance of pre-Keynesian economics, and it came forth in a conservative movement that called itself Asupply-side economics.@ Supply-siders claimed that economic dysfunction resulted from bloated government that wasted society=s resources; over-regulated the economy; over-taxed people (especially the rich) and thereby hindered incentives to work hard, save and invest; and gave welfare to the poor that sapped their will to work. Trickle-down economics was reborn with a vengeance. The Keynesian interlude that had generally been supportive of greater equality was finished.

The response was tax cuts, deregulation, and the weakening of welfare programs. Tax cuts without offsetting spending cuts resulted in record budget deficits, proving wrong supply-siders who claimed that the positive incentive effects would increase government revenues sufficiently to avoid deficits. But the other advocates for tax cuts B whom Ronald Reagan=s Budget Director David Stockman called Astarving the beast@ advocates -- found in supply side economics a convenient strategy for cutting government spending, especially on programs that benefit the less well off.[49]

As noted earlier, the trickle-down doctrine fits well into neoclassical economics, where the behavioral assumption is that everyone is free to choose. No note is taken of individuals= differing aptitudes to freely choose wisely, depending upon how privileged their family background or education. The formation of preferences is ignored, and thus issues like who controls ideology formation are ignored. Presumably, everyone is equally well equipped to

choose schools for their children and invest for their retirement. Consequently, the answer for education is private schooling via vouchers, and the answer for retirement is defined-contribution plans and privatized Social Security.

The fiscal crisis afflicting state governments, coupled with an aversion to raising traditional taxes, led them to turn ever more toward gambling for revenues. It is difficult to take issue with gambling. No one is forced to participate. All are Afree to choose.@ Yet as a source of government revenue, it is extremely regressive. Participants are disproportionately the poor and minorities who, deprived of good educations and supportive communities, face few options for improving their lives. Gambling is also sought out as recreation, especially by the poor who are not afforded a great variety of alternatives. Since 1964, practically all states and the District of Columbia have not only adopted state lotteries, but aggressively promoted them as well (Wisman 2006).

The dramatic redistribution of income and wealth in the U.S. over the past several decades is generally believed to have been due to more than just changes in public policy. The character of technological change and the changing structure of international trade were also contributors. But what is so striking is that while Aeconomic@ forces have worked to increase inequality, public policy has worked to augment the effect. That this has been so testifies to the extraordinary command of ideology by the rich.[50] Indeed, any challenge to this trend is immediately labeled as inciting Aclass warfare,@ dredging up images of discredited authoritarian socialism.

Progressive Intentions Foiled by AScience@

Some economists shy away from the topic of inequality on the grounds that it involves value judgments which are beyond the realm of positive or scientific economics. Values, as

Milton Friedman so famously put it, involve "differences about which men ultimately only fight." (Friedman 1953: 5). Robert Lucas, 1995 recipient of the Nobel Memorial Prize in Economic Sciences, went further, asserting that “Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution” (2004).

However, not all mainstream economists support the stances of Friedman and Lucas, or the current level of inequality in the U.S. Indeed, many B perhaps even a majority B would wish for greater equality. However, their embrace of mainstream doctrine frequently leads them to oppose specific measures that might promise to lessen inequality. A good example is the minimum wage. There is a high degree of consensus among mainstream economists that minimum wage legislation will result in reducing the demand for low cost labor and thereby harm those it was intended to help.[51] And indeed, from the narrow focus of the functioning of markets, the logic is impeccable. But from a broader social perspective, the argument may be invalid. Adam Smith may have been right: higher wages may bring forth greater productivity. Low wages, especially when they keep full-time workers beneath the poverty threshold, may result in a number of socially perverse forms of behavior that not only reduce work effort, but also reduce family cohesion, weaken communities, and handicap children brought up in relative poverty. Such Aexternalities@ make the statistical study of the effect of minimum wages intractable.[52] All the same, economic orthodoxy provides conservative policy makers with a powerful justification to vote against increases in minimum wages.

A second example is free trade. The logic of trade theory all but compels mainstream economists to support free trade. And, with a number of qualifications, it can be justly argued that free trade typically benefits both trading partners as each is better able to exploit its particular

comparative advantages. However, it is also true that freer trade often increases inequality within countries. Faced with this, mainstream economists typically argue that public policies can be used to neutralize this consequence, thereby leaving everyone a winner. But the political reality is that there is usually inadequate support for such neutralizing policies. Even so, because mainstream economists cannot readily abandon, or even relax, their free trade stance, they wind up legitimating policies that result in greater inequality. Their values are foiled by their science.

Nevertheless, mainstream economists have long nurtured an image of their science as value-free. Indeed, it is standard that textbooks begin by drawing a distinction between positive and normative economics, with a testament that their science is concerned only with the former. But this stance has seldom been convincing to heterodox economists or scholars outside the discipline. The general inability to appreciate the extent to which economics is value-ladened follows from the behavioral assumptions made, the narrow focus of most research, and the relative lack of concern with the history of the discipline or history generally. Yet a quick glance at history reveals that the mainstream expression of economics tends to be supportive of the power and privilege structure of the political world in which it is practiced. In state socialist countries, the mainstream economics was Marxist -Leninist. Scholastic economics was supportive of the social structure of late medieval Europe. Mercantilist economics supported the rising power of the commercial class and the nation state. And since the beginning of modern economics with Adam Smith, mainstream economics has supported the institutions and power structure of capitalism.

CAN THE LEGITIMATION OF INEQUALITY BE DELEGITIMATED?

A glance at history reveals that only rarely has inequality been challenged, even when it has been extreme, thereby testifying to the extraordinary legitimating power of prevailing

ideology. In pre-democratic times, the poor (85 to 98 percent of the population) typically lived at or near bare subsistence as a result of any surplus they produced being appropriated by the ruling secular and religious elites. When revolts occurred, it was usually in spontaneous response to acts or events that challenged their already precarious existence. For instance, the greatest medieval peasant uprising, the Great Rising of 1381 A.D. (Tyler's Rebellion) was provoked by the imposition of a poll tax upon peasants who were already living at bare subsistence.

With the rise of democracy and the extension of the franchise to the working class, dissatisfaction could be expressed peaceably via the political process. But protest of inequality still rarely arose, except when the less privileged suffered a substantial deterioration in their condition. The greatest instance of this in American history came in the wake of the onset of the Great Depression. The resulting widespread suffering called into question political and economic policies. It also challenged the prevailing economic theory that legitimated these policies, making space for the Keynesian revolution. For three decades inequality lessened, guided by economic doctrines that depicted greater equality as positive.

There are many parallels between the ideology and policies that led up to the crisis of 1929 and the crisis of 2008. In both instances, the so-called science of economics legitimated inequality, and at times the benefits of greater inequality. The resulting inequality was a major cause of both financial crises (Wisman and Baker 2009). It is an open question as to whether the economic dislocations resulting from the crisis of 2008 will delegitimate the prevailing mainstream of economics and create room for an economic science friendlier to greater equality.

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NOTES

[1] **Error! Main Document Only.**As Jim Sidanius et. al. have put it,

> "Since the time of Machiavelli, students of social power have suggested that group-based hierarchy is established and maintained by two primary means: through the use of force (e.g., physical intimidation, administrative coercion, and both overt and covert discrimination) and through ideological control and the manipulation of social discourse" (2001: 309).

[2] **Error! Main Document Only.**Sidanius et. al. go on to note that "...almost all perspectives on legitimizing ideologies suggest that their power is derived from their consensuality....legitimizing ideologies are believed to be effective in regulating group-based inequality because they are often endorsed by dominants and subordinates alike. All other things being equal, the greater the degree to which both dominants and subordinates agree on the veracity of hierarchy-enhancing legitimizing myths, the less physical violence will be necessary to keep the system of stratification intact" (2001: 316).

[3] Following John Thompson, this study understands ideology as "the ways in which meaning is mobilized in the service of dominant individuals and groups" (1991: 73).

[4] Or as Joan Robinson aptly put it, economics has replaced religion as the principal instrument for justifying "the ways of Mammon to man" (1964: 21).

[5] **Error! Main Document Only.** Jared Diamond describes this relative equality as follows: "Tribes also share with bands an 'egalitarian' social system, without ranked lineages or classes. Not only is status not inherited; no member of a traditional tribe or band can become disproportionately wealthy by his or her own efforts, because each individual has debts and obligations to many others....every able-bodied adult ...participates in growing, gathering, or hunting food" (1997: 272).

[6] However, in a few instances, legitimation of inequality was constructed in secular or natural terms, as was generally the case with classical Greek thought. A natural frame of reference was meant when Aristotle noted that "From the hour of their birth, some are marked out for subjection, some for command" (*Politics*, Book I).

[7] The study of legitimation is also referred to as system justification theory (Haines and Jost 2000).

[8] **Error! Main Document Only.**It has been suggested that humans may be hardwired for religion, because it evolved to help solve the public goods problems of trust and social order. But, as Nicholas Wade has put it, religion came to be "co-opted by the rulers of settled societies as a way of solidifying their authority and justifying their privileged position. Modern states now accomplish by other means many of the early roles performed by religion, which is why religion has become of less relevance to some societies. But because the propensity for religious belief is still wired into the human mind, religion continues to be a potent force in societies that still struggle for cohesion" (2006: 164).

[9] Jared Diamond notes that "Besides justifying the transfer of wealth to kleptocrats, institutionalized religion brings two other benefits to centralized societies. First, shared ideology or religion helps solve the problem of how

unrelated individuals are to live together without killing each other – by providing them with a bond not based on kinship. Second, it gives people a motive, other than genetic self-interest, for sacrificing their lives on behalf of others" (1997: 278). Morris Zelditch expresses this as follows: "The problem of any kind of polity...is to find a basis of loyalty that is voluntary but not purely instrumental; that does not depend only on rational self-interest or purely on personal preferences....legitimacy is always a matter of voluntarily accepting that something is 'right,' and its consequence is always the stability of whatever structure emerges from the process" 2001: 37; 40).

[10] Thomas Frank's *What's the Matter with Kansas?* (2004) suggests that this indirect second dimension of how religion diverts attention away from material issues has been very much at work in the U.S.

[11] R. H. Tawney describes how this legitimation was expressed in functional terms in the Middle Ages:

> "The facts of class status and inequality were rationalized … by a functional theory of society, as the facts of competition were rationalized in the eighteenth century by the theory of economic harmonies;...Society, like the human body, is an organism composed of different members. Each member has its own function, prayer, or defense, or merchandise, or tilling the soil. Each must receive the means suited to its station, and must claim no more....Between classes there must be inequality; for otherwise a class cannot perform its function, or – a strange thought to us – enjoy its rights" (Tawney 1963: 27).

[12] Diamond notes that even in a remote Norse colony, these costs could be substantial: "Greenland was a hierarchical society, with great differences of wealth justified by the Church, and with disproportionate investment in churches" (2005: 245).

[13] As Joan Robinson aptly put it, ANo one, of course, is conscious of his own ideology, any more than he can smell his own breath@ (1964: 41).

[14] Note, for instance, the following passage from Ecclesiasticus 27:2: "As a stake is driven firmly into a fissure between stones, so sin is wedged in between selling and buying."

[15] Catholicism denigrated the material world in favor of a spiritual realm. It also privileged the poor, not the rich. It favored New Testament passages such as the following:

> "Blessed are you poor, for yours is the Kingdom of God.
> Blessed are you who hunger, for you shall be satisfied.
> Blessed are you who weep, for you shall laugh" (Luke 6:20-21).

Or again, in Matthew:

> A...Verily I say unto you, That a rich man shall hardly enter the kingdom of heaven. And again I say unto you, it is easier for a camel to enter through the eye of a needle, than for a rich man to enter the Kingdom of God@ (19:23-24).

And in 1 Timothy:

> AIf we have food and clothing, we shall be content with that. Those who want to be rich are falling into temptation and into a trap and into many foolish and harmful desires, which plunge them into ruin and destruction. For the love of money is the root of all evil...@ (6: 8-10).

[16] Catholicism put importance on the following sort of parable:

A rich man approaches Jesus and asks:

> AGood Teacher, what must I do to share in everlasting life?

Jesus answered:

> AGo and sell what you have and give to the poor; you will then have treasure in heaven. After that, come and follow me.@ (Matthew 10:17)

Or, again:

> ANo servant can serve two masters. Either he will hate the one and love the other or be attentive to the one and despise the other. You cannot give yourself to God and money@ (Matthew 19:24).

The modern view of Protestantism, by contrast, was well captured in Russell Conwell's *Acres of Diamonds*, a book

published in the U.S. in 1915 that would go on to sell 10 million copies. Note the following passage:

> AI say that you ought to get rich, and it is your duty to get rich....Some men say, >Don=t you sympathize with the poor people?= Of course I do, or else I would not have been lecturing all these years. But the number of poor who are to be sympathized with is very small. To sympathize with a man whom God has punished for his sins, thus to help him when God would still continue his punishment, is to do wrong, no doubt about it@ (1915: 17; 21).

[17] Until relatively late in history, many economists mixed elements of religion into their economics. For instance, at the beginning of the nineteenth century, Jean-Baptiste Say would claim private property to be Asacred and indisputable@ (1863: 293). At mid-century, Frédéric Bastiat would argue that the scientific laws of economics were divine laws (1964: 569). Waterman claims that it was not until the 1880s that "It was no longer part of the professional duty of economists to reconcile their findings with Christian theology…[and that] The divorce of science from theology adumbrated by Whately was complete by the end of the nineteenth century" (2008: 136).

[18] Writing in the seventeenth century, William Petty argued that a law that determines wages "…should allow the Labourer but just wherewithal to live; for if you allow double, then he works but half so much as he could have done, and otherwise would; which is a loss to the Publick of the fruit of so much labour (1963 vol. 1: 87). Also in the seventeenth century, Thomas Mun asserted thatApenury and want doe make a people wise and industrious@ (1895: 100). A century later, in 1771, Arthur Young claimed that "Everyone but an idiot knows that the lower classes must be kept poor or they will never be industrious" (Cited in Furness 1920: 118). During this period, the Reverend Joseph Townsend argued that "In general it is only hunger which can spur and goad them on to labor;..." (1971: 23). Even an Enlightenment figure such as Diderot could write: "Il faut que le peuple vive, mais il faut que sa vie soit pauvre et frugale: plus il est occupé, moins il est factieux, et il est d'autant plus occupé, qu'il a plus de peine à pouvoir à ses besoins." (Cited in Ragon 1974: 68). Malthus strongly embraced this view. Receiving more income Awould make every man fancy himself comparatively rich and able to indulge himself in many hours or days of leisure. This would give a strong and immediate check to productive industry, and in a short time, not only the nation would be poorer, but the lower classes themselves would be much more distressed...@ (1970: 94-95).

[19] If they received instruction, there was the danger that they be discontent with menial and demanding labor. Thus, humans, or at least their overwhelming majority, were viewed as mere means, to be maintained as beasts of burden and nothing more.

[20] Thus Malthus would note that Aeven when they have an opportunity of saving they seldom exercise it, but all that is beyond their present necessities goes, generally speaking, to the ale-house@ (1970: 98). All money above subsistence would be spent on Adrinking, gaming, and debauchery@ (1960, vol. 2: 13).

[21] Many of the French and Scottish Enlightenment writers who embraced a natural law cosmology were deists, believing that an omniscient God had created a perfect world that no longer required his further intervention. Thus in what appeared to be secular doctrine, religious legitimation continued to play a role.

[22] AThe wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives....Where wages are high...we shall always find the working-men more active, diligent and expeditious, than where they are low@ (1776: 1:99). Moreover, low wages result in low levels of nutrition and a constrained ability to work (1776: 1: 96ff).

[23] The Reverend Robert Wallace -- a friend of Adam Smith=s -- had argued that equality would result in Aexcessive population@ so as to lead to the impoverishment of all society. William Godwin, believing as did many in the French Enlightenment in the perfectibility of society, attempted to refute Wallace. Malthus set out to refute Godwin and other utopianists by expanding upon Wallace=s argument.

[24] For example, in the 1860s, Henry Fawcett would contend that Agranting a legal right to employment at the ordinary wage@ would be a mistake Abecause there would be no check on population@ (1863: 245-47).

[25] Malthus= treatise was an explicit rejection of the Enlightenment=s faith in the power of reason to improve the lot of all humanity.

[26] It is noteworthy that Malthus was an ordained minister, and the views he expressed suggest the enormous distance Christian doctrine had traveled since the Catholic view of the poor as Ablessed.@ This distance is especially evident in the following passage from the second edition of his *Essay on Population*: AA man who is born into a world already possessed, if he cannot get subsistence from his parents, on whom he has a just demand, and if the society does not want his labour, has no claim of *right* to the smallest portion of food, and, in fact has no business to be where he is. At nature=s mighty feast there is no vacant cover for him@ (Malthus 1803: Book IV, Chap. VI, p. 531; cited in Bonar 1924: 304-05). This passage was excised from later editions.

Malthus= view of the poor lends support to Berger and Luckmann=s contention that AIn the period following the Industrial Revolution...there is a certain justification in calling Christianity a bourgeois ideology, because the bourgeoisie used the Christian tradition and its personnel in its struggle against the new industrial working class, which in most European countries could no longer be regarded as >inhabiting= the Christian universe@ (123). And, AEvery group engaged in social conflict requires solidarity. Ideologies generate solidarity@ (124).

[27] Yet, Malthus' God is still good: AThe partial pain...that is inflicted by the supreme Creator...is but as the dust of the balance in comparison of the happiness that is communicated, and we have every reason to think that there is no more evil in the world than what is absolutely necessary... (1970: 215-16).

[28] This neo-Malthusian view was well captured by the widespread success of *The Population Bomb*, published in 1968 and *Limits to Growth* in 1972.

[29] This doctrine had its origins in the Physiocratic conception of *avances* to workers from the saved capital from the previous period.

[30] Interestingly, Smith had approved of worker unions, which he saw as necessary to offset the unfair advantage of employers, who Abeing fewer in number, can combine much more easily; and the law besides, authorises, or at least does not prohibit their combinations, while it prohibits those of the workingmen@ (1776: 84).

[31] Mill rejected the doctrine in a review of a book by William Thornton. In doing so, he recognized that wage levels were dependent upon the relative bargaining power of the laboring and capitalist classes. Yet his recantation of the wages-fund doctrine was not incorporated into the 1871 revision of his *Principles*.

[32] Adam Smith provided what may have been the first hint of this doctrine when he wrote that taxation "may obstruct the industry of the people, and discourage them from applying to certain branches of business which might give maintenance and employment to great multitudes. While it obliges the people to pay, it may thus diminish, or perhaps destroy, some of the funds which might enable them more easily to do so@ (1776, II: 826).

[33] Marshall, who had taken up the study of economics explicitly because of his concern for the poor, was led by his study of the discipline to the conclusion that not too much should soon be done to help the poor: AI think also that the attempt to do it in a hurry would be dangerous; for carelessly done, it might sap the springs of freedom and energy@ (1961: 712).

[34] This revolution drew substantially from the utilitarian foundation laid by Jeremy Bentham who, incidentally, believed that redistribution from the rich to the poor would increase a society=s aggregate utility (1954 vol. 3: 441ff), although he too worried that it might impair capital accumulation.

[35] A few pages later, Clark restates the workings of this natural law in terms of each factor of production:

AWe may now advance the more general thesis...that where natural laws have their way, the share of

> income that attests to any productive function is gauged by the actual product of it. In other words, free competition tends to give to labor what labor creates, to capitalists what capital creates, and to entrepreneurs what the coordinating function creates@ (1908: 13).

[36] As E. K. Hunt has put it: AThus Clark had completed the task, originated by Say and Senior, of showing that the rewards to capitalists and workers were based on exactly the same principle. There was no surplus and there was no exploitation. Capitalists were rewarded by receiving what they created just as were laborers@ (2002: 304).

[37] At a high theoretical level, there is a serious problem of measuring capital, indeed ascertaining even its meaning, as the Cambridge capital controversy of the 1960s made clear. This debate put into question the very logic of marginal productivity theory (Robinson 1980).

[38]. Some advocates of marginal contributory theory recognize this problem, but have a counterargument. Markets, they assert, naturally tend toward perfect competition if left to themselves. Thus, the main reason some real-life markets are not competitive is that governments interfere in them. If governments were to pursue laissez-faire policies, real-life markets would tend toward the competitive ideal and distribution would gravitate toward reflecting marginal contribution. However, it is by no means *a priori* evident that laissez-faire markets do not have at least as great a tendency toward collusion and monopolization. This was the view of the pragmatic Adam Smith. A recurring theme in his *Wealth of Nations* was "the clamour and sophistry of merchants and manufacturers" whose "mean rapacity" and "monopolizing spirit" led them "on many occasions" to "deceive and even to oppress the public." These were people who "seldom meet together, even for their merriment and diversion, but the conversation ends in a conspiracy against the public or in some contrivance to raise prices" (1776: 128, 249-50, 402-03).

[39] Between the mid-1970s and the financial crisis of 2008, many American economists no longer viewed Keynes as Amainstream,@ or even as an important economist.

[40] Malthus, whom Keynes praised for recognizing and addressing the problem of inadequate demand, had come to the opposite conclusion. As noted earlier, he concluded that a significant portion of national income needed to flow to a class of Aunproductive consumers@ whose expenditures would help hold up total demand. This was part of his defense for members of the landlord class, who, as Smith had put it, Alove to reap where they never sowed@ (1976: 67).

[41] "[A]s against Robbins, economics is essentially a moral science and not a natural science. That is to say, it employs introspection and judgment of value" (Keynes 1973: 297).

[42] Keynes had characterized the legitimating function of this laissez-faire doctrine as follows: "That it could explain much social injustice and apparent cruelty as an inevitable incident in the scheme of progress, and the attempt to change such things as likely on the whole to do more harm than good, commend it to authority" (1936: 33).

[43] While rejecting taxation for redistributive purposes, most libertarians accept the taxation required to support a minimal Anightwatchman state.@ That is, taxes are justified to support the framework of institutions that makes ordered social life possible. This is because, without a minimal state to set and enforce the laws that define private property and prohibit fraud and coercion, no one=s right to self-ownership would be safe from predators, thieves, and swindlers. However, some Apure@ libertarians see no positive role whatsoever for the state. They have generally been associated with the Austrian school of economics. See, for instance, Rothbard (1973) for an exposition of how a stateless social economy might function.

[44] Despite some rather extreme claimsCsuch as the claim that taxation is equivalent to forced labor B Nozick is by no means the most extreme proponent of libertarian views. Among well-known libertarians, that designation almost certainly goes to the pop philosopher Ayn Rand.

[45] Although often depicted as a libertarian, Friedman makes this point: A...what constitutes property and what rights the ownership of property confers are complex social creations rather than self-evident propositions@ (1962: 26).

[46] The choice of countries is noteworthy in that it compares mobility in two of the most laissez-faire economies with that in four of the most social-welfare-oriented.

[47] Other studies also lend support to the claim that the U.S. is no longer the exceptional land of great equality of opportunity (see Hertz 2007; Mishel, Bernstein, and Allegretto 2007; Mazumder 2005; Solon 1992).

[48] In recent years, a new twist emerged on how the incentive argument can be mustered to impede measures to reduce inequality. The poor must bear a greater share of the tax burden to preserve their sense of participation in our democratic system. This argument has an economic edge as well as a political one. In a sense, it=s a resurgence of the fear of democracy argument. If the poor pay little or no taxes, they vote for increasing government expenditures for which they will contribute little or nothing. George Will points out that AMoral hazard exists when a policy produces incentives for perverse behavior@ and then provides as an example Athe policy of removing tens of millions of voters from the income tax rolls, thereby making government largesse a free good for them@ (2007: A15).

[49] In an unguarded moment, for which he was taken to the woodshed, Stockman had characterized the supply-side theory behind the tax cuts as a ATrojan horse@ to redistribute income in favor of the wealthy

[50] One of the most striking examples of this command over ideology is the elimination of the estate tax. It was overwhelmingly a tax on only the very wealthy. In 1999, only the top two percent of estates paid any estate taxes at all. Indeed, half of the tax revenues from the estate tax came from only 0.16 percent of the total, or 3,300 estates with an average estate of $17 million. But because these people have so much money, they exert enormous political pressure, as well as the ideology that the tax, which they cleverly call Adeath taxes,@ principally hurts small businesses and farmers.

The ideological rhetoric was carried even further by GOP activist Grover Norquist. Interviewed by Terry Gross on her National Public Radio program, AFresh Air,@ Norquist compared the estate tax to the Holocaust, with the justification that Athe morality that says it=s okay to do something to a group because they=re a small percentage of the population is the morality that says the Holocaust is okay because they didn=t target everybody, just a small percentage@ (cited in Cohen 2004: A17).

[51] Yet higher minimum wages in Europe are widely credited with lessening inequality in those economies. And in some, e.g., Denmark and the Netherlands, they do not correlate with higher unemployment.

[52] One well-known study (Card and Krueger 1994) has cast doubt on the claim that higher minimum wages result in decreases in employment. Indeed, they found that higher minimum wages in the fast food industry resulted in a slight increase in employment.