Jedediah Purdy
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Wealth and Democracy

It wasn't supposed to be like this. The present that we are living in is not the future that we were promised. Wealth was not supposed to be so unequal, and its inequality was not supposed to be such a problem for democracy. Thinking about wealth today means taking stock of a rude awakening.

Of course, to put it this way simplifies the matter dramatically. But let us take it in steps. To recite a cultural history that readers already know as cliché – but not less true for its familiarity – the 2014 appearance in English of Thomas Piketty's *Capital in the 21st Century* alerted Americans to a body of research that had been developed over more than a decade, showing both income and wealth growing sharply more unequal around the world. The strongest data concerned the wealthy countries of the North Atlantic, where inequality has been growing since roughly 1970 and, Piketty warned, a new *rentier* class of inherited wealth and social prestige is on the verge of emerging.

As his most acute respondents have pointed out, Piketty's work opens many more questions than it answers.[1] My major concern here is what growing inequality means for democracy and the rule of law, a topic where Piketty himself is more suggestive than informative. Others have focused on disaggregating Piketty's findings: how much comes from real-estate, from first-wave returns to technological innovation, and so forth. Both sets of questions are necessary in moving from measuring inequality to assessing it.

Inequality, as a merely formal or statistical feature of the economy, is not good or bad; it becomes good or bad only as it affects those things that people value and have reason to value. Indeed, inasmuch as the word "inequality" in common use implies something bad, a problem, it is a derivative concept, taking its intelligibility from some (explicit or implicit) idea of what would count as an appropriate kind of equality. And because wealth is itself an instrumental good, valuable only because it enables people to have and do things that they value, any idea of an appropriate level of inequality will presuppose a series of things: what wealth enables one to do in a given society, which things wealth cannot buy, which things are available regardless of wealth, and, of course, what kinds of things are important to be able to have and to do. Part of this web of presuppositions is the conception of citizenship implied in any picture of democracy: what it means to have standing in the political community and among other private individuals, and how wealth structures these relations.

[1] Grewal, The Laws of Capitalism, HLR

To diagnose unequal wealth, then, one must disaggregate its effects and relate them to a scheme of values and the institutions that embody those values – such as schemes of social provision, market-making and market-limiting rules, and so forth. Another kind of disaggregation is also essential, this kind concerned less with the effects of wealth than with its sources. To *do* anything with respect to unequal wealth, one must know something about what causes it and what kinds of interventions are possible around those causes. How much inequality of wealth is the result of simple rent-seeking, such as featherbedding by executives and compensation committees? How much comes from broader political choices, such as tax policy or laws governing labor unions? How much is a structural result of technological innovation, or of globalization, or of some persistent dynamic in the spectrum of economic orders that we call "capitalism"? How much is specific to changes in a specific area of the economy, such as real estate, and are such changes basically contingent, or are they symptoms of some structural dynamic? For any of these sources, but particularly the last two, how much political space is open to mitigate the effects of inequality, and at what cost?

Moreover, both questions – what does wealth mean and where does it come from? – are all the more important in *how they interact*. To put the question in a way that is somewhat over-stylized, how do capitalism and democracy interact? Is there a tendency toward rising economic inequality that erodes putative commitments to civic equality? Does civic equality presuppose and require certain economic arrangements – whether laissez-faire, social-democratic, or otherwise? This, of course, is not a question that could be answered once and for all: because it concerns dynamic interplay between two spheres of braided equality and inequality (broadly, the economic and the political), it might get a different answer at any moment in time, depending how events had played out to that point, what kinds of institutions were in place, and so forth.

Although this last question, the issue of interacting spheres, is sweeping and elusive, it is also the most important, because it joins the work of explaining and assessing wealth inequality with the work of acting on it.

Wealth and Democracy in the Age of Kuznets and Keynes

The rediscovery of massive and growing wealth inequality brings an inconvenient realization: much of the thinking of recent decades has been subtly inflected by empirical premises that seem to be turning out false. First among these is the expectation that economic inequality in developed countries should settle at stable and tolerable levels. This expectation was crystallized in the famous "Kuznets curve," named for economist Simon Kuznets, which found (based on a limited sample of mid-century tax records in the United States) income inequality growing for a time, then leveling off. Soon matched by doppelgangers such as the "environmental Kuznets curve" (which showed pollution rising early in the development process, then falling as wealthy societies adopted environmental regulations), the Kuznets curve came to be a kind of macroeconomic emoji for optimism about the social meaning of economic growth.

If the first vulnerable promise belonged to Kuznets, the second can be fairly identified with economist John Maynard Keynes: the benign statist assumption that expert governance has more or less wrestled economic vicissitudes to the ground and is now firmly in control of economic life. Although the core of Keynes's contribution to post-war economic governance was the management of business cycles through demand stimulus (via public spending or relaxed interest rates), it rested on a larger image of political and social life in which, as Keynes famously put it, the "economic problem" (basically the problem of scarcity) was on the way to being solved.[2]

Taken together, these two premises describe the common sense of the North Atlantic countries in the "thirty glorious years" following World War II, when high rates of growth, effective national controls on the international movement of capital, and a strong political role for organized labor resulted in widely shared prosperity. (There were important exceptions to the trend of economic inclusion, notably African-Americans in the United States, but it was typical of the time that these, like certain other pockets of poverty or social vulnerability, were regarded *as exceptions*, and the assumed solution among elites was to incorporate them into a system generally regarded as working for everyone.) This common sense implied that there was no great reason to expect wealth inequality to be self-compounding, and that, if inequality did grow, no reason that a democratic political order should not be able to sort it out.

This is not to say that there was perfect complacency, but that the conceptualization of issues at the intersection of private wealth and public power assumed that they were soluble: of a manageable scale and subject to powerful tools of governance. For instance, John Rawls's *Theory of Justice*, published in 1971, devoted a bit more than two pages to "the fair value of political liberty," that is, the problem of ensuring that formally equal rights to political participation should not be undermined by unequal economic power.[3] Rawls recognized that unequal political power might arise from unequal economic power, then entrench itself in the legal rules of the game (both political and economic).[4] He responded with what was in effect a strong expression of the Keynesian assumption: in its distributive capacity, government should maintain an ongoing re-sorting of wealth to avoid excessive concentrations of economic power, while also using public financing of elections to sustain boundaries between the political process and private wealth. All of this appeared in Rawls's thought as, in effect, an important administrative problem for a post-war state assumed to have the power, expertise, and legitimacy to carry it out. Rawls offered no sustained reflection on the ways that unequal

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[2] Keynes, Economic Possibilities for Our Grandchildren
[3] TJ 224-27, 226.
[4] Id. at 226.

wealth might arise from within, or break free of, a basically social-democratic state and impose its own logic of power throughout both economic and political life. [5]

Rawls wrote that if such questions arose, they would "belong to political sociology," rather than to his theory of justice.[6] But the thought that a theory of justice could set aside problems of "political sociology" got the point exactly backward, at least in one key respect. Rawls's theory of justice had the appeal that it did because it could *presuppose* a political sociology characterized by the assumptions of Kuznets and Keynes. It could stand as an idealizing and rationalizing account of a certain kind of post-war state, one poised to manage economic life so thoroughly as to make economic processes thoroughly *objects* of political choice and control, rather than allowing them to become *agents* of political power and change. To write of the economy as Rawls did, as the site of distributive shares, to be organized by rules that allow only those inequalities that benefit the least advantaged, while also treating the choice between socialism and private ownership as an open one, assumes that economic life is basically a plastic object of regulation, not a source of barriers to, and disruption of, the political project of justice.

Because it rests on these (in hindsight) heroic assumptions, Rawls's project is in some sense the apogee of a body of thought that preceded the post-war period by many decades but came to its fullest flowering then. This line of thinking expected to see the importance of the distinctively economic domain of life diminish as scarcity receded and humanity emancipated itself from material insecurity. Whatever organizing principles scarcity and self-interest imposed on economic life would turn to be, in effect, transient features of a passing era.

In its liberal version, this tradition owed a key debt to John Stuart Mill. In his *Principles of Political Economy*, Mill argued that the era of money-making and business-driven busyness that he was living through would prove an anomaly, an historical peculiarity. In good time, Mill predicted, people would recognize that their material needs had been met by growing social wealth, and would turn to other priorities, the "higher pleasures" of refinement, self-unfolding, and non-instrumental personal relationships. The forecast was consistent with Mill's tendency toward an optimistic, humanist libertarianism woven into the fabric of a perfectionist utilitarianism. In Mill's account, social life, the realm of sociability that is defined neither by the instrumental rationality of the marketplace nor by the formality and sovereign authority of politics, would spontaneously and fluidly implement post-economic, humanistic priorities – for no greater, or lesser, reason than that women and men would grow bored of money-making and appreciate that

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[5] Rawls returned to the topic of the fair value of the political liberties in *Political Liberalism* (1993, 356-63), where he also sounded a note of concern about trends to inequality: "[T]he invisible hand guides things in the wrong direction and favors an oligopolistic configuration of accumulations that succeeds in maintaining unjustified inequalities and restrictions on fair opportunity" (267).
[6] Id. at 226-27.

they had better things to do with their lives. A culture devoted to making money had something wrong with it, Mill reckoned, and the perspicacity of free individuals would recognize this and set it right.

Keynes's forecast in "Economic Possibilities for Our Grandchildren," that the problem of scarcity might be overcome after another century, was little more than an extension of Mill's argument, augmented by intervening decades of compound growth. Keynes proposed that the defining question of collective life would no longer be how to create wealth, but rather how to use leisure. The most socially prized people would be those who showed others gracious, edifying, and pleasurable ways to spend their time and powers toward non-accumulative ends. Keynes even suggested, following Mill and perhaps waxing a bit mischievous, that the pursuit of wealth as an end in itself, having exhausted its social usefulness, could be handed off with a shudder to experts in mental disorders. Like Mill, Keynes seemed to imagine that tastes for leisure and refinement would assert themselves organically once material needs ceased to be pressing. The engine of capitalist wealth-production would slow and cease, having used up its fuel of human cupidity.

By the end of the 1950s, the engine had not even slowed. This was the puzzle that Keynesian economist John Kenneth Galbraith set himself in one of the twentieth century's major American social-theoretic treatments of wealth, *The Affluent Society*. Galbraith argued that Keynes's utopia of leisure had not arrived for two reasons. First was the perverse persistence of economic insecurity in a wealthy society: although the United States was rich enough to provide a decent and secure living for all, economic life continued to be shadowed by the prospect of vulnerability and deprivation for those who fared badly. Galbraith argued that whatever rationale these fearsome incentives might have had in an earlier, poorer era that needed to make a priority of economic growth could no longer apply in the age of affluence. The feeling of scarcity and vulnerability was a kind of collective neurosis in economic life – albeit one given a very real material basis by lawmakers' failure to provide security for Americans in the form of social provision and protection in their employment.

Second, Galbraith sought to explain the unsettling fact that the appetite for consumption of material goods had not abated, even as the economy provided nearly everyone with levels of material prosperity that, a century or even fifty years earlier, would have seemed to solve the problem of material want. Here he introduced a kind of *deus ex machina*: the advertising industry produced new wants in pace with economic production, artificially keeping consumer demand high enough to stoke the engines of industry. Galbraith distinguished between those wants that preceded the production process and those that, as he described it, were created as part of the production process itself. He argued that human happiness could be fostered just as much by avoiding the creation of new wants as by satisfying those wants once they existed: after all, the sum of satisfied wants is a joint product of the level of wants and the degree of their satisfaction, and one may produce full satisfaction as easily by subtracting inessential desires as by multiplying means of satisfying them.

The weak point in Galbraith's account is the would-be distinction between natural and artificial desires. There is, to be sure, something important here; but it is not enough to say that desires without an old pedigree have less weight than those known to Homer and the Victorians. The reasons are familiar from Marx and from market-oriented technological optimists alike: in a deep way, human life is a joint product of the organic and the inorganic, our individual bodies and personalities and our collective technologies of production. We create ourselves and discover our potential – our powers, desires, and discontents – through an historical process of innovation. This innovation sets in motion a constant series of revolutions – technological, political, cultural, and at the level of consciousness itself. People had, at one time, not heard of racial equality, same-sex marriage, or safe and effective control over reproduction; but there is nothing deficient in our demands for these things today.

In Galbraith's view, then, wealth was both an achievement and a problem; but the problem lay essentially in the fact that the society had not yet matured enough to take full advantage of wealth's revolutionary humanitarian potential. The way to do this would be by legislating, rather than simply waiting for, the culture of leisure and refinement that Keynes had forecasted. The legislation would take the form of social provision, in personal security (job protection and pensions, for example) and public goods, the latter cultural as well as infrastructural. This was, in effect, the theoretical version of President Lyndon B. Johnson's Great Society: a program for a humanistic, post-material utopia of lifelong education, leisure, reflection, and self-development.[7] Galbraith identified a vanguard for this change: what he called the New Class, a social stratum whose members valued work as a source of intrinsic satisfaction and self-expression, rather than a hard bargain of instrumental labor in exchange for unrelated wants. This population was already moving into the post-material world of satisfaction in activity rather than things, in doing rather than consuming. The goal of any affluent society, Galbraith argued, should be to usher as many of its people as possible into this class, and so to realize the emancipating potential that wealth represented.

In Galbraith's account, as in Rawls's, there is a clear assumption that the Keynesian state stands ready and able to realize the potential of affluence to solve the problem of scarcity and release people into a post-scarcity society. Both of these assumptions – the availability of a post-scarcity situation and the capacity of the state to usher it in – came under pressure from both left and right in the decades following Galbraith's 1958 book.

Doubts from the Left: Positional Goods and the Persistence of Scarcity

[7] Great Society speech

Fred Hirsh's *Social Limits to Growth* made both cases in [1974]. Hirsch, an economist and former International Monetary Fund official, argued that Keynesian optimism had rested on a pair of assumptions that turned out to be historically contingent – and, increasingly, no longer held. First was that the lion's share of economic demand would be for goods that served classically material needs, such as food and shelter. Economic growth straightforwardly serves more of these needs as it progresses: more food, bigger houses with more bathrooms, more consumer electronics, and so forth. But, Hirsch argued, economic development brought growing emphasis on *positional goods*, goods whose capacity to satisfy their owners or consumers is relative to what others have. Affluence created a paradox: the value of positional goods was eroded precisely by increasing material wealth, so that the satisfaction produced by economic growth was often a matter of two steps forward, (at least) one step back.

Positional goods were mainly of two kinds. First were material goods subject to congestion, such as cars and suburban houses – goods that appeared luxurious when few people had them, but turned out to be much less enjoyable when widely distributed, precisely because wide distribution meant crowded roads and clogged, increasingly remote suburbs. Inasmuch as economic growth produces positional goods, it constantly undermines its own promise: what one sets out to achieve is less satisfying once one finally gets it.

Hirsch's second type of positional good is the pure positional good, the thing that is scarce by its nature, such as leadership positions or other bases of prestige. Hirsch's lead example was higher education. As material wealth increases, ever more spending flows into competition for positional goods, which do not increase in number (at least not in proportion to the increase in overall wealth). With increased competition for positional goods, pressure increases on universities to serve as sorting institutions, allocating leadership positions, prestige, satisfying work, and so forth. Results include longer certifying processes, increasing rates of matriculation, (one might add today) rising tuition, and, at the heart of the matter, years spent in education that is purely instrumental to achieving a positional good, or, even worse, purely defensive – like a home-security system, a way of avoiding a loss, the loss in this case being a decline in social standing. All these uses of wealth to pursue positional goods are, Hirsch argued, mainly social waste. Such waste is unavoidable in a materially wealthy society with a highly uneven topography of positional goods. Because of positional goods, economic growth does not overcome scarcity, but displaces it from the straightforwardly material sphere to the positional sphere.

Hirsch's second paradox takes us to the crucial issue: the interaction between capitalism and democracy. Hirsch argued that the traditional agenda of economic development, associated with a broadly utilitarian state (whose policies were to be laissez-faire under the Benthamite dispensation, managerial in the Keynesian incarnation), was coherent only because of invisible but indispensable boundary on the domain of economic self-interest. Individual economic actors were expected to pursue their self-interest to the full, but always within the rules of the game, while principled and public-spirited officials were charged with enforcing those rules in an even-handed fashion. But these boundaries would prove unstable. Absent some independent social morality, there was no reason for people, professions, and industries not to try to game and change the rules in their favor. Reciprocally, there was no guarantee that officials would not put the rules up for sale, if not crudely and nakedly, then in the familiar, revolving-door style of capture that has become familiar in the capitalist regulatory state. There was reason to expect these trends to quicken as the status of economic self-interest as a sole and sufficient account of rationality eroded the quasi-religious social ethics of businesspeople and professionals and the mandarin *noblesse oblige* of public officials. Such extra-market social ethics, Hirsch argued, was the implicit sociological linchpin of the regulated market that the Keynesian state supported; but the market's logic tended to undercut this *sine qua non* of its own regulation.

For these reasons, Hirsch argued, political intervention would be necessary to create a social state in which prosperity would not undercut its own promise. As he put it, the market provides a range of choices to the individual, but only politics provides the power to choose *among multiple ranges of choices*, that is, to shape the playing field and the rules themselves in a deliberate way. And individual choice alone would prove insufficient to deliver the promised escape from scarcity and insecurity. It is interesting, in hindsight, that Hirsch felt it urgent to make this case: in his view, a benign and effective regulatory state could no longer be assumed, and this at the very moment when growing evidence suggested that market-led economic growth could not fulfill its promise without political intervention.

From the (center-) Right: Doubts about Democracy and Neoliberalism's Rise

Part of the difficulty was this. Throughout the twentieth century, as the regulatory state took on ever-greater importance as the assumed linchpin of political economy, it was losing plausibility as a vehicle of democratic feedback. A line of argument widely broadcast in the United States by Walter Lippmann and Joseph Schumpeter held that actually existing mass democracy could not instantiate any idealistic conceptual account of collective self-rule. Voters were ill-informed, emotional, and often in sway of fantastical confusion. Majorities were contingent and transitory. Even at its most lucid, the will of the majority was simply visited on the minority with the arbitrary decisiveness of authoritarian dictates. The idea that democracy involved a collective body deliberately choosing its direction was insupportable outside certain exceptional and archaic circumstances, such as the Greek *polis* or Swiss canton. The most optimistic account one could give of democracy was to describe majoritarian elections as a rule of decision to resolve contests among rotating bands of elites – the position Schumpeter adopted. Lippmann took a gentler tone but was not much more optimistic, describing popular majorities as weighing in occasionally on questions of great moment – not all that rationally, but more or less decisively – but otherwise little connected with the activity of governance, which was the work of institutions, not populations. These arguments appeared between the 1920s and the 1940s: by the 1970s, a sophisticated body of public-choice literature portrayed government as, in effect, a subset of economic life: a congeries of rent-seeking by industries and constituencies, power-accumulation by bureaucrats, and, at worst, utopian flights of reformist fancy free of the discipline that cost-internalization imposes on private decisions. Hirsch thus wrote in a world in which Galbraith's rather easy assumption of a legitimate, effective, and benign state was under considerable intellectual pressure. Recognizing the need for regulation was already a matter of reclaiming contested ground, not simply bathing in near-consensus.

The most polemical, sustained, and – in hindsight – emblematic attack from the right on Great Society optimism came from Friedrich Hayek. Hayek argued that, contrary to promises of post-material security, an economy could do its work only if it maintained a measure of insecurity and arbitrariness, and that social provision did not complete the promise of economic development, but instead undercut it. Hayek argued that the economy should be understood as an information-processing system, conveying data about the relative scarcity of goods, time, and talent, and the extent and intensity of desire for them. Effective communication of this data laid the groundwork for rational decisions about the trade-offs between possible uses of resources that are the ligature of economic life.

The key to this informational function was the price mechanism, which expressed the kaleidoscopic facts of economic life in uniquely succinct and usable form. Prices could do this work only if they were in fact allowed to coordinate decisions about distribution and use of resources: every redistributive or regulatory mandate clogged and diverted the flow of information, turning a healthy vascular system of data into a swampy delta of drifting decisions. The consummation of secure prosperity that Galbraith sketched would be, in effect, the end of economic life as Hayek described it, and its eclipse by the bureaucratic life of an administered state. One could expect such a state to be inefficient, arbitrary, and actuated by envious and irrational passions, quite unlike the relatively lucid instrumental rationality that the price system enforced on market choices. Faced with a choice between liberalism – which for him meant the classical economic liberalism of laissez-faire – and democracy, Hayek argued, one should prefer liberalism. The more democracy developed in the directions that Galbraith and Hirsch urged, the more it might force the choice.

On the strength of these arguments, Hayek has become the exemplar of the approach to political economy often called neoliberalism. The heart of this revival of classical economic liberalism is the claim that there is no viable alternative to a market system, and therefore any attempt to use state power to do what Galbraith presupposed and Hirsch urged – to choose collectively among sets of choices – is an error. Less a program or system of thought than a constellation of programs united by an intellectual mood, neo-liberalism is sometimes bolstered by the claims that markets secure liberty and equality (which Hayek argued), fairness (which he did not), or welfare (which he did, but in qualified form), but the heart the neo-liberal position is a negative one: there is nothing much for the state to do but make and maintain markets. Ambitious political projects will undermine liberty, equality, fairness, and welfare together. A market regime is the least-worst for all of these values. This is, increasingly, the intellectual mood in which revelations of growing inequality have appeared.[8]

One of the major divisions in today's political economy must come over why the forecasts of Keynes and Galbraith did not come true. Was it because Hayek's recuperation of market theory, combined with a long-running theoretical demotion of democracy, was intellectually right, and sensible policy-makers saved the world from incipient statism? Or was it because, as Wolfgang Streeck has argued, capital revolted against the broadly social-democratic mid-century accommodation that thinkers like Galbraith assumed and sought to perfect?[9] Put differently, is the surging inequality of recent decades a feature of the best of possible worlds, or of a world where a relatively egalitarian regime was recently dethroned and false necessity reigns, enforcing an undue impression of inevitability in the very market arrangements that produce and sustain inequality? Obviously, the stakes of this question are not small. They concern whether the inequality-generating logic of economic life limits and conditions the possible forms of democracy or, on the contrary, the real possibility of democratic decisions about the shape of the economy has been suppressed by a counter-democratic revolt of capital.

A Step Back: The Long History of Markets, Democracy, and Social Life

The recognition that markets have their own logic, which imposes an order on social activity and allocates resources and capabilities among social groups, and which may conflict with other principles of social organization and distribution, is basically a nineteenth-century one, although it appears in germ in works as diverse as Adam Smith's *Wealth of Nations* and Jean-Jacques Rousseau's *Discourse on Inequality* (aka, the *Second Discourse*). As David Grewal argues in his forthcoming *Invention of the Economy*, modern social and political thought, going back to roots in the seventeenth century but flowering in the latter part of the eighteenth, is marked by a pair of contrasting utopias, two pictures of how a society of equally free people might coordinate its common life. The economic utopia, associated especially with Adam Smith and David Hume, envisions a non-coercive structure of cooperation emerging organically, in the form of proto-legal rules of property and contract akin to the structures of grammar. Such rules require no central authority to create or specify them; rather, they are, so to speak, pre-programmed into human nature (again, in the manner of grammar) and manifest themselves under the pressure of increasing interdependence and social complexity. This is the origin-point of a laissez-faire conception of social order in which mutuality of interest, coordinated

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[8] Grewal & Purdy "Introduction" to Law & Contemporary Problems issue on Neoliberalism and articles therein.
[9] Streeck, Buying Time

by commonly recognized rules, enables people to structure their lives around obligations freely and rationally assumed, without arbitrary imposition.

Grewal's other utopia is political. The political utopia is founded on citizenship and sovereignty. The emphasis on sovereignty reflected the view that the organizing principles of social life arise from the binding decision of what Thomas Hobbes identified as the sovereign. A sovereign, for Hobbes, was not necessarily a monarch or any other specific institution. Rather, it was an analytically necessary feature of any legal and political order. In such an order, there must be some entity with the power to make, interpret, and enforce its rules, a holder of the last word. This was the sovereign, whatever form it took in any polity (court, council, assembly, monarch, etc.). The political utopia is a utopia of equal citizenship: each person has an equal share in the production and legitimation of the sovereignty, and thus of the rules that shape their common life.

At a deep level, the clash between the two utopias was rooted in conflicting accounts of the relationship between law and human nature. Smith and Hume's naturalistic jurisprudence tied a uniquely functional and beneficial set of laws to an account of human beings as organically intertwined through sociability, a disposition to join in bonds of mutual interest and intelligibility. Law was a product of human cooperation, not its precondition, and the range of laws that would emerge from organic cooperation at any stage of economic development was narrow enough that one could speak of it as a domain of natural law. By contrast, Hobbes's positivism denied the possibility of an organic, emergent law: the epistemic situation of uncertainty and mutual endangerment that Hobbes famously diagnosed as the "state of nature" (that is, a social world imagined without law) was as far as horizontal, spontaneous encounters would take people. The conditions of mutual intelligibility and assurance that cooperation required could arise only through legislation and enforcement of law by a third party outside the would-be cooperators, that is, the role of sovereign. (Of course, the sovereign, as an artificial juristic entity, might just be the will of a majority of members of the political community. This was precisely the idea of the political utopia of equal citizenship.) Law and social order, were therefore constructed in quite a radical sense: nothing about them was natural except the need for them.

In later developments, the two utopias have, of course, not existed as pure types, but rather as regulative principles, asymptotic ideals that have motivated competing schools of thought. Nonetheless, when one asks into the relationship between markets and citizenship, one is speaking within this tradition of conflict, asking how far the contemporary extensions of one version of a society of equally free persons constrain and distort the ambitions of the other version.

The two utopias coexist in social and legal thought with a third ideal-type of social life, which is organic and horizontal, in the manner of Hume and Smith, but does not find its consummation in the market. This vision has its exemplary twentieth-century expression in Karl Polanyi's *Great Transformation*, which portrays laissez-faire doctrine as artificial dogma, achieved only through aggressive, state-led reform. The organic form of social cooperation is not that of the market, but arises from loose reciprocity and deeper ties of solidarity. These motives produced a "moral economy" that included ideas of just prices and wages, various forms of security, and, above all, forms of obligation that were ethical, religious, and emotional as well as, and often rather than, self-interested.

From this point of view, the state is neither the source of ordering principles, as for Hobbes, nor the superintendent of market order, as for Smith and Hume. Instead the state would be *either* the guardian of organic patterns of reciprocity or the battering ram of disruptive, market-making reforms. Polanyi is famously associated with the formula "Laissez-faire was planned," but it is just as illuminating to see him as arguing that planning was spontaneous: society mobilizes in its own defense.[10] Less abstractly, people mobilize to defend security and established patterns of social relations, and, quite naturally, call on the state to help them in doing so.

The point of this taxonomy is that there is no pre-theoretical formulation of the question of democracy's relation to unequal wealth. The question depends on one's conception of democracy, and also on one's conception of economic order. The stronger one's commitment to a idea of robustly equal citizenship, *and* the more strongly one supposes that a political community might choose among a range of economic orders, the more unequal wealth seems to foreclose the work of a sovereign polity, predisposing political judgment in favor of the present economic regime. Conversely, the more one sees politics and law as handmaidens to a naturalized set of market relations, the less is at stake in unequal wealth among citizens. While the eighteenth-century naturalization of markets was affirmative, claiming to root rights of property and contract in human nature and providential design, and the twenty-first century version is more likely to be negative – asserting that "there is no alternative" to markets on account of incentives, information costs, or some other constraint on institutional design – the basic logic remains: the demotion of political sovereignty by the naturalization of market economics, which in turn demotes citizenship to a symbolic status rather than a substantive part in collective governance.

Among nineteenth-century figures who identified a basic conflict between market order on the one hand and social or political community on the other – those, that is, who rejected the naturalization of markets – there were two predominant responses. One, associated with Karl Marx and various strands of revolutionary socialism, sought to absorb economic life fully into the community of equal citizens, that is, to overcome the distinction between the political and economic domains and dissolve all forms of unequal economic power into the sovereign power of democratic politics. The other, associated with Progressive

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[10] Cite to this language. I am indebted to Tim Shenk for the observation about the spontaneity of planning.

reformers in the United States and in Europe with certain strands of social democracy and, later, Christian democracy, took the opposite approach, using the political power of the state to strengthen the boundary between economic relations and non-economic social life, notably in the domains of the family, education, culture, and professional activity. While the first approach updated and radicalized the utopia of equal citizenship, the second represented a compromise between the two utopias and, in the style of Polanyi, a political defense of non-market orders in the reproduction of biological, social, and cultural life. The latter was the basic strategy of the accommodation that structured post-War life in the twentieth century.

Trans-Atlantic social democracy, then, was more social than democratic. It took seriously the quest for security in a relatively familiar, stable, and manageable social world, whether that of the factory, the union, the neighborhood, the university or profession, or the family. Through pluralistic representative institutions, it sought to maintain a reasonable balance among interests conceived of through these collective categories, even as, through the period, rights-based claims to greater individual liberty and the end of various caste systems also proliferated. Its basic strategy of reform – not premeditated, but consistent in application – was to open up existing institutions of representation and advancement to previously excluded groups while also redefining the state's relation to individuals through an increasingly homogenous and libertarian scheme of negative rights. It all seemed to be working well enough – until a reassertion of market principles and market power began to break down the barriers protecting various secure domains of social life and revealed the lack of power, or will, in the democratic state to reassert their protection.

The Poverty of Our Philosophy

All of this is to emphasize the peculiar situation in which wealth is now emerging as a political issue. Unequal wealth is widely (though by no means universally) recognized as an urgent question even as the terms of the problem remain ill-defined, to the point that it is difficult to say just what is at stake in it. Much of the thought that we have about wealth and its relationship to democracy comes from the anomalous period of the mid-twentieth century, when that relationship seemed to have been resolved in practice, even as resources – intellectual and institutional – for dealing with conflicts between the two were being eroded.

Yes even in this theoretically impoverished situation, theories of wealth and democracy are doing a lot of work. Consider the Supreme Court's implicit theories of markets and democracy in its First Amendment cases concerning money in politics. The Court's ready assimilation of money to speech assumes that there is, in principle, no conflict between political argument and economic accumulation, that these are compatible, even mutually supportive, dynamics. The Court's embrace of for-profit corporations as essential participants in the process of American democracy also highlights its confidence that there is no contradiction between the accumulation of great wealth and the survival of effective self-rule.[11]

And why would the justices think that? The key may lie in an implicit theory of what self-rule is. The Court's rulings holding that campaign-finance regulation cannot be justified by the goal of equalizing influence among citizens or (the obverse of the same principle) avoiding "distortion" of political debate by moneyed interests indicate that its conception of democracy excludes the robust idea of equal citizenship at the heart of what I have called the utopia of sovereignty. Instead, the Court's concerns appear basically Schumpeterian: to avoid the entrenchment of a political class through self-serving campaign laws, even at the cost of ensuring the entrenchment of a class of wealth donor-citizens who effectively set policy – that is, in Schumpeter's terms, facilitating elite rotation while declining the romantic idea that ordinary citizens should, or can, participate in self-government in any meaningful way. The patronage relationships that *Buckley v. Valeo* and *Citizens United* (rather more the first, despite the notoriety of the second) produce between massive donors and their preferred candidates and movements are exemplary Schumpeterian politics, intra-elite disruptors that change the menu of choices for the mainly passive voters.

This is just one example of the work that implicit theories of wealth and democracy are already doing *sub silentio* – and, hence, one piece of evidence for the need for explicit engagement with these questions. And what might that engagement look like? Here I suggest four strategies for starting out with deficient resources for thinking through these problems – up from poverty, as it were.

1/ Life-Cycle Analysis: This term is usually applied to assessment of industrial processes, but I mean it in a different, mischievous but also entirely serious sense. One of the most provocative, if underdeveloped, features of Piketty's *Capital* is his account of the life-prospects and likely priorities of young people in societies with various levels of wealth. Drawing on nineteenth-century fiction, he shows that, past a certain level of inequality, "careers open to talent" gives way to "marriage open to ambition," that is, that the key to a good life is winding up in the right, highly capitalized family, whose advantages ability and hard work cannot match. In such a society, ambition, effort, and esteem all flow toward established concentrations of wealth, with predictable consequences for the quality of the professions, the hierarchy of prestige, and, to name elusive but real qualities, the texture of social sentiment and imagination.[12]

Now carry the same kind of question from personal life to the political activity of democracy. What kinds of leaders does a highly unequal democracy produce when wealth flows freely into campaigns? As Zephyr Teachout has emphasized in her important book, *Corruption in America*, the flip side of "free"

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[11] Some language from recent money-in-politics cases, especially *Citizens United*.
[12] Pages from Piketty. The phrases in quotes are mine, not his.

spending by the wealthy is dependence on the part of candidates, who need money for political survival. The result is not usually the outright bribery that the Supreme Court classifies as "corruption" – the only evil it permits campaign spending laws to address – but a subtler reorientation of attention and concern. One might think of it by analogy to the ways one sees and hears in a crowded room: where does the eye go, which voices does the ear pick up? Who, a day later, does one remember was there? In a democracy that depends on private wealth for its basic activities of communication and mobilization, candidates see and hear the wealthy, because they need them. The careers of Bill and Hillary Clinton since the end of his presidency may serve as emblems of this economy of attention: although they remain standard-bearers of the more egalitarian of the two major American parties, they have spent fifteen years relentlessly cultivating the company, attention, and largesse of the world's wealthiest people. That, after all, is how things get done.

2/ Disaggregating Wealth: In principle, the same disparities in purchasing power might have many different meanings, depending on certain distinctions. Of the basic goods of life, which (A) must be purchased, (B) are guaranteed without purchase, and (C) are protected from monetization and may not be purchased at all? The more robust a set of social guarantees (category (B)), such as guarantees of education, basic security in one's person, health care, and retirement, the less wealth matters, even if it grows more unequal. Conversely, the more basic goods must be purchased on the market, the more differences in wealth put lives on divergent courses, quite apart from talent, effort, need, or whatever else one regards as an appropriate distributive criterion.

Of course these categories are dynamic, and wealth produces potential demand for differentiation in such goods. This is why category (C), the non-monetizable category, is so important. Particularly important is whether political influence, the basic feedback mechanism that determines revisions in these categories, is itself monetizable. Where it is, wealth will tend, other things equal, to become more salient across all categories of goods.

3/ Recognizing the Primacy of Politics: The Legal Realists were right, as was Hobbesian positivism long before they wrote: economic life takes its shape, and property rights – including claims to wealth – arise only within the legal framework that political action creates. Rough-and-ready conventions for certain resources may arise in small and tight-knit groups, particularly against a backdrop of state definition and enforcement of other claims; but where there is conflict or uncertainty beyond such a community – that is, where there is anything resembling complex economic activity – someone must decide, and that someone is sovereign. This is a decisive argument against any radical naturalization of economic claims.

Of course this argument remains very far from implying that anything goes in the political creation of the economy. From Hayekian arguments concerning the informational complexity of economies to liberal claims about autonomy to conventional neo-classical economists' worries that no system gets far without appealing to self-interest, there may be decisive reasons to organize any given area of economic life along market lines. The point is that this is a choice – a political choice. The utopia of property-and-contract, of market sociability and reciprocity, runs through the utopia of equal citizenship, of political sovereignty, and any case for it must be made there.

4/ The Democratic Pivot: This point returns the discussion to what remains its crux. What does it mean to submit basic economic questions to political judgment, and what is the most one might hope to accomplish there? The answers depend on how one understands political processes, and how robust a set of goals one believes democratic sovereignty, the utopia of politics, can support.

These goals come in two dimensions. First is the conception of citizenship as a form of social membership: what kinds of security, empowerment, opportunity, access to institutions, and so forth should be guaranteed to every member in good standing of the social order? This political economy of citizenship, as Joseph Fishkin and William Forbath show in this volume, goes all the way back in the United States, and has a distinctive social-democratic version in the twentieth century (identified in the US with the New Deal) whose future is now in considerable doubt.

The second dimension of citizenship concerns active self-rule: how far, after the doubts that marked twentieth-century thought and demoted political judgment to an undisciplined mix of self-interest and fantasy, can a polity actively shape its own economic life, making the rules of material interdependence a matter for choice rather than happenstance?

Unless one is a thoroughgoing fatalist, it seems fair to infer from the last seven decades that there is a range of possibilities along both dimensions. The social-democratic accommodation of the mid-twentieth century represents a genuine alternative to a marketized social and political order. This is true despite whatever social democracy's internal failures were (notably failures of inclusion), and despite the doubts that its decline raises about its sustainability in the face of marketizing pressure. As noted earlier, however, social democracy, always had more to do with securing a strong form of social membership for citizens than with the active political supervision of economic life: it was, to repeat, more social than democratic. This may have been its Achilles heel.

There may, however, be something essential to learn from social democracy about self-governance. This is the importance of organized people, as opposed to abstractly empowered individual citizens. Proposals to increase the influence of citizens – for instance, by allocating campaign-contribution credits to each adult as a way of matching the influence of the wealthy – are admirable and likely to be helpful; but they also share the neoliberal emphasis on the choosing individual as the pivot of collective life – a de-collectivized view of collective life, in which aggregating individual choice is the whole work. By contrast to this neoliberal vision, the pluralist politics of the social-democratic states rested heavily on intermediary institutions, notably labor unions, to provide virtual representation and, perhaps as important, to create bonds of identification around common interests and agendas. Such institutions may be key features of a "political sociology" that could make active self-rule a more plausible ideal for a roughly majoritarian system.

Here, however, one encounters the next challenge. As discussions of Piketty's proposed global annual wealth tax highlighted, the scale of wealth accumulation and transfer is now worldwide in its basic dynamics. Sovereignty remains almost exclusively a phenomenon on the national scale. Indeed, social democracy was marked, as much as anything, by being the mode of social life that arose when strong working-class movements in relatively rich societies could sustain their victories because capital was mostly contained within national borders. Today, inequality resembles climate change in its formal dimensions: a global problem at which national political order often flails ineffectually. As David Grewal has pointed out, because we work in circumstances more closely resembling those of the last Gilded Age than of the mid-twentieth century, we might recall that many of those who confronted the contradictions of wealth and democracy in that earlier time identified their problems and goals as international, and their movements and strategies, therefore, as internationalist.[13]

It would be an overreaction, though, to surrender the field of domestic politics. Here, as in other respects, we are unavoidably in a posture of experimentation. The long-neglected question is what kind of democratic relation to economic life is possible. Precisely because of the neglect, the novelty (or at least renewed sense of urgency) of the issue is the greater, and all responses are partly on unfamiliar ground.

Conclusion:

Inequality, as Jeffrey Winters reminds us, is very old – indeed, so far, perennial. Democracy is rather arrestingly new, mass democracy especially so. Manhood suffrage is 100-150 years old even in the "mature" democracies. Women's suffrage is a product of the twentieth century. In the United States, effective enfranchisement of African-American and Latino citizens dates to the passage of the Voting Rights Act of 1965, and policies such as denying former felons the vote continue to qualify the right. Allowing for the economic catastrophe and political turmoil of the Great Depression and the ideological bloodshed of World War Two, it may be that close to half of the human experience of widespread and stable mass democracy occurred in the halcyon years when economic inequality seemed to be in abeyance, and even economic scarcity seemed on the path to being overcome. Thinking about wealth and democracy has been informed by the optimistic premises of that time, in what it has not said as well as in what it has.

[13] HLR Piketty review

I have noted that the twentieth century's experience of "actually existing democracy" coincided with sharp theoretical skepticism toward the idea that a majoritarian representative system could credibly be claimed to embody collective self-government. This might have been more troubling had it not been for optimism that inequality and scarcity, those recurrent sources of conflict, were now subject to rational and humane administration. The social-democratic accommodation between democracy and capitalism seemed a good-enough arrangement as long as it was stable. To the extent that inequality and scarcity could be mastered, a pluralist, administered democracy promised to be self-rule enough.

The question to ask today at the intersection of wealth and democracy is not simply whether wealth might be mastered again, so that it would let democracy proceed in peace. The more basic question is whether growing social wealth could become a means to an enriched democratic future. Taking that question seriously would mean reclaiming the mid-century goal of a world after scarcity, with widely-shared prosperity spurring proliferating self-development and experiments in living. The thought contained in that older goal was that twentieth-century democracy was becoming a post-materialist form of life: individuality was more central than collective self-rule to this conception of democracy, but, in a world that seemed to have stabilized in a tolerable form, that was good enough. [Today the dominant expressions of individuality have come apart from democracy and lodged, instead, in neoliberal, non-democratic celebrations of economic power: either the world-making creativity of the entrepreneur or the self-development and humanitarianism of the *rentier*.[14] The first is the denuded economic Nietzscheanism of Schumpeter, dressed up in the style of Silicon Valley. The second is mid-century Great Society humanism without the society, a life of leisure, reflection, and intrinsically valuable activity for those who happen to have the resources (often enough inherited) to pursue them.]

Fred Hirsch's analysis of positional goods gives powerful reason to believe that the end of scarcity will not come through the raw accumulation of total social wealth. Positional goods will continue to make rich people (objectively rich on the spectrum of historical human experience) feel not-nearly-rich-enough. This dynamic only becomes more intense with the marketization of essential resources for social reproduction, especially education, health care, and child care: as pressure from growing overall material wealth increases the relative cost of these labor-intensive goods, the prospect of being unable to afford them (at least in decent quantity or quality, which are of course socially relative standards) will haunt economic life, making the threat of relative scarcity acute.

Hirsch's analysis suggests, then, that making wealth more socially beneficial will require revitalized governance. There would have to be a meaningful commitment to social provision of the goods that are necessary to social reproduction and also vulnerable to intensified relative scarcity, such as health care,

[14] Tomasi, etc., on the first; E. Posner on Piketty on the second.

education, and child care. There would also have to be significant social limitation of inequality. This would mean limits on the accumulation of great fortunes, such as those of George Soros, Bill Gates, and Sheldon Adelson, who can effect their own foreign policies; but it would also mean constraints on the difference in resources and social capacity that divide roughly the "fifteen percent" of well-educated professionals and mid-level executives from the "eighty percent" that includes more or less everyone else except the actually rich. Under the present dispensation, the attack on privilege too often means breaking down the residual structures of security that defined the mid-century social vision, and throwing, for instance, the tenured and professionally certified onto an unregulated market. This leveling-down of traditional social protections and stabilizing institutions is a signature neoliberal move. It only intensifies susceptibility to the dynamics that Hirsch diagnoses. A more apt response would be to level up social provision and other forms of security, reducing the effect of relative scarcity, while limiting raw economic inequality to ease the pressure for differentiation in the availability and quality of these goods.

At the time of writing, it is an increasingly common perception that economic inequality must be brought under control for democracy to realize, or recover, its potential. As we have seen, this claim depends on one's conception of democracy; but it is highly plausible for any conception of democracy that aims at meaningful version of collective self-rule, rather than simple elite rotation. The argument developed here suggests something further: that robust democracy is necessary if wealth is to realize its potential for social benefit. Indeed, democracy must be able to intervene in the definition, creation, distribution, and use of wealth precisely to make the benefits of wealth real. A political scheme of social provision, and political limitations on the scope of inequality, are the most plausible means to prevent growing wealth from undercutting its own benefits. This idea is not extremist: it simply states the logic of the mid-century social-democratic accommodation that established a measure of security and a pattern of widely shared economic growth. It does, however, insist on the priority of that political logic. The free play of the market will not deliver the goods that market-led growth in wealth is conventionally celebrated for producing. Only democracy can do that. In this sense, wealth needs democracy if it is to fulfill its humanitarian promise. The irony is that, ill-handled, wealth can also overwhelm democracy and undercut its own humane potential.

Of course, these abstractions are only ways of naming human powers. We – a we that does not really exist yet, as a political matter – are the only ones who can make a better world from the braided elements of economic and political life. Both domains are, at the moment, potent, unequal, and opaque. For decades, respectable thought has regarded them with an understandable but also unsustainable blend of cynicism and complacency. Now they need to become more equal and more lucid, before their power is exhausted or fatally misused.