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Economic ethics of Henry Sidgwick

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Economic ethics of Henry Sidgwick

by

Ramakrishna Vaitheswaran

**A Dissertation Submitted to the
Graduate Faculty in Partial Fulfillment of
The Requirements for the Degree of
DOCTOR OF PHILOSOPHY**

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CHAPTER I. ETHICS AND POLITICAL
ECONOMY IN SIDGWICK'S TIME

Introduction and a Personal Explanation

The so-called "crisis in economics," a term increasingly used to describe the present state of economics¹ arises not only from the less than total success of Keynesian policies in recent years and the failure to achieve full employment with price stability. Sir John Hicks argues from the point of view of a Keynesian that the experience of the fifties and sixties calls for a reformulation of Keynes, taking into account facts like the existence and availability of stocks, whether markets are characterized by fixed or flexible prices, liquidity preference in a context of sustained inflation, etc.² Joan Robinson, on the other hand, argues that economics failed to move on from the question of using government expenditure to maintain employment to asking what government expenditure is for. This failure, she suggests, is due to the lack of a theory of distribution and an explanation for the rate of profits in orthodox economic theory.³ There is also considerable dissatisfaction with the implicit value premises underlying the positivist tradition of neoclassical economics, the failure to bring within the purview of economic science issues of power, equality, distributional justice and the why and wherefore of our individual and social existence in the industrial society. In his Presidential address to the American Economic Association, J. K. Gailbraith discussed the failures of neoclassical economics arising from its ignoring the problem of power. Once power is made part of the system of the economist, he argues, the reasons and

remedies for inequality of income can no longer be ignored by the economist as theorist.⁴

Another symptom of the crisis in theory in economics is that economists as economists have had very little to say about what promises to be one of the more important economic issues of our time--income distribution within nations and in the global system in a framework of justice.

Welfare economics, in its search for a wertfrei system of evaluation, has become "empty," as Gunnar Myrdal put it.⁵ The refusal to permit inter-personal comparisons of utility in rigorous theory has meant in practice that welfare economics is useless for policy purposes. "One wonders even if paretian welfare economics has come up with anything as practically useful as the famous Pigovian proposition that smoke is a nuisance," muses Boulding.⁶ The voices of dissent against such an "empty welfare theory" have been many, and in practice many economists have simply accepted the "commonsense notion," as Alice Rivlin puts it, that "taking a dollar or a thousand dollars from a millionaire and giving it to a share cropper with three hungry children does (emphasis-Rivlin's) enhance total well being"⁷ and worked on problems of poverty, welfare and equity.

It may be aesthetically satisfying for certain types of minds to prove that welfare economics cannot say anything definitive about welfare. But this does not obviate the need for or prevent individual and institutional decisions that are taken in the name of welfare and affect how we live and what we are. The fact that certain policy propositions

cannot be demonstrated within what are regarded as limits set by the scientific method is no reason for the economist to suspend judgment altogether as economist on important issues on which his imperfect or imprecise advice might nevertheless prove useful. There is no need to fight shy of ethical propositions either, for we cannot in the human situation, both as economists and as people escape the necessity of choice. Even economic issues cannot altogether escape the characteristic of moral choice and moral consequences. If this is true, it is better that we attempt to bring to the ethical aspects of economic choice and decision making an awareness and sensitivity to the implications of what we do or do not do.

Recent years have seen the development of a formal theory of economic policy,⁸ which, even though it does separate the role of the economist and policymaker, does postulate interpersonal utility comparisons. And in practice, the limitations of the formal theory have not inhibited economists from giving policy advice based essentially on ideological considerations especially as they relate to problems of free trade versus protection, equity and efficiency in taxation; or monopoly, competition, governmental privilege, and interference in the market.⁹

Admittedly, however, the concern that economics should be a political economics that puts policy questions within a framework of ethics and politics, is that of a minority who are sometimes even denied the status of professional economists. Economists as a rule have generally therefore shied away from problems of redistribution of income. Where they have been concerned with equity, it has been in terms of the trade off

between equality and efficiency. But when it has been a question of how far society should go in using public resources to compensate individuals for deficiencies in family environment and other disabilities, the economist is content to leave the area to the professional politician and the moral philosopher.

This was not always so. Economics, in the typical dichotomy between production and distribution, postulated by John Stuart Mill, did not avoid the latter question.

The eighteenth and nineteenth century tradition of ethics and moral philosophy included what later became the social sciences. The developing social sciences remained conscious of the need to maintain the link between the social science and the concept of right and wrong, just and unjust. Even in the age of specialization, the social scientist in maintaining the separation between what Fritz Machlup has called "value references" and "value judgements"¹⁰ must take into account explicitly the "value references" implicit in the tradition of a particular discipline as well as the moral implications which even so-called 'neutral' positive science may involve in the particular directions of its evolution.

There is in recent years growing, though still too limited, awareness on the part of the physical and social scientist of the ethical aspects of science. It would be useful, therefore, to go back to the nineteenth century tradition of moral philosophy and evaluate it from the point of view of the needs of the last quarter of the twentieth century.

One of the most important among moral philosophers in England was Henry Sidgwick, who is well known to modern students of ethics. Henry Sidgwick was also in the tradition of Locke, Hume, Smith and Mill who attempted to apply their ethical perceptions--in the case of Sidgwick, a modified utilitarianism--to economics. Sidgwick was interested in particular in economic policy as it relates to the role of government in dealing with the distribution of national income and the problem of poverty.

I propose in the following pages to examine the ideas of Henry Sidgwick, the questions he asked about human behavior and motivation, the ends of individual and social existence and the means for achieving the "general happiness." Similar questions are being asked today by a variety of scientists and philosophers and so a re-evaluation of Sidgwick's attempted integration of ethics and economics may enable us to understand better our situation, our needs and the concerns of modern scholars about the relationship between economic means and social and moral ends.

Brief Biographical Sketch of Henry Sidgwick
(b. May 31, 1838 - d. Aug. 29, 1900)

Henry Sidgwick was born at Skipton in Yorkshire, where his father, the Rev. William Sidgwick, was headmaster of the grammar school. He was the third child of the Rev. William Sidgwick and Mary Crofts. He was three years old when his father died. His mother was an able woman of strong character, intelligence and culture, and outlived her husband by thirty-eight years.

Henry Sidgwick was educated at Rugby School and from there, at the unusually young age of seventeen, was sent to Trinity College, Cambridge in October 1855. There he studied Mathematics and the classics. He was a competent mathematician and became a distinguished scholar of the classics. Four years after he had joined Trinity College, his brilliant university career was crowned by the first place in the classical Tripos and a first class in the Mathematical Tripos. In October of 1859, he was elected a fellow at the same college. When just a little over twenty-one years of age, he was appointed an assistant tutor in the classics. He continued to teach for the remaining forty years of his life.

His interest in problems of theology took him soon after his appointment as assistant tutor of the classics to Germany where he studied both Hebrew and Arabic at Gottingen. He hesitated for a time between devoting himself to oriental studies and classical scholarship but settled for the latter. Over the years, his interest switched to the pursuit of the "moral sciences" as they were called in Cambridge--metaphysics, ethics, and psychology. In 1867, he exchanged his lectureship in the classics for one in the moral sciences. As the social sciences in those days were regarded as a part of moral sciences, Sidgwick was increasingly involved in raising the status of Social Sciences at Cambridge and helped to pave the way for the Economics Tripos at the university. In some ways, he may be regarded as one of the men who helped the emergence of the Cambridge School of Economics.

In 1869, he resigned his fellowship because he felt he could no longer honestly consider himself a bonafide member of the Church of

England, that being the condition then attached by law to the holding of fellowships in the College at Cambridge. His action was surprising for there were apparently many holders of fellowships who were in the same intellectual and moral situation as was Professor Sidgwick. But Sidgwick was a conscientious man and was so regarded by his friends, who expected higher standards from him than average men prescribe for their own conduct. (Bryce quotes Mrs. Cross (George Eliot) as saying the above.)¹¹ It is significant that Sidgwick's action was so highly regarded and respected that he not only retained his position at the university as lecturer but that the statutes were changed in 1871, abolishing tests for positions in universities altogether. In 1883, Sidgwick was appointed Professor of Moral Philosophy and in 1885, reelected Fellow of the College.

In 1876, Sidgwick had married Miss Eleanor Balfour with whom (along with other friends) he had already been working to establish a program of study and residence halls for women at Cambridge. Later, the institution became Newnham College for Women, a pioneer institution of higher education for women in England. Mrs. Sidgwick became Principal of Newnham College in 1889 and Mr. and Mrs. Sidgwick lived at the college from then on. John Viscount Morley wrote that Sidgwick fought "one of the stiffest battles of the time in the movement for the better education of women"¹² and that it was crowned with signal success.

Besides spending time on the cause of the education of women and university matters, Sidgwick devoted a great deal of time to Psychological Research. In 1882, he helped to found the Society for Psychological Research,

of which body he was always a leading member and twice President. It was characteristic of Sidgwick's commitment to seeking the truth that he brought to bear on the investigation of psychic phenomena a healthy skepticism that was never overly optimistic about the truth of alleged psychic facts nor unduly deterred by the discovery of the falsity or deception that lay behind so many of them.

"The foundation of the Society for Psychical Research and the keeping of it in the straight and narrow path of science in face of dogmatic materialism and enthusiastic credulity," writes C. D. Broad, "are achievements on which they (Mr. and Mrs. Sidgwick) can be congratulated without reserve.... It would be difficult to imagine anyone better fitted by the perfect balance of his mind for research in this most difficult and irritating subject than Sidgwick."¹³ It should be added that Sidgwick's interest in Psychic Research stemmed not merely from the intrinsic scientific interest of the subject but also from its relevance to understanding the sources of human motivation and character, the processes of thought which determine the adoption of ethical principles, which was the central concern of his life and work.

Sidgwick's main interests were in the moral and social sciences--metaphysics, ethics, politics, and economics--and his main works are his Methods of Ethics, The Principles of Political Economy, The Elements of Politics, and Outline of Ethics. He is, according to T. W. Hutchison, "the last major English moral philosopher who made a noteworthy contribution to political economy, and for that reason alone his work would have a special interest."¹⁴ His greatest influence has, however, been on

ethics, his Method of Ethics being "on the whole the best treatise on moral theory that has ever been written" and "one of the English philosophical classics."¹⁵

It is significant that contemporaries of Sidgwick who have left us accounts of him regarded him as a person who in his personal life and contacts was even more influential than his works. Alfred Marshall said of Sidgwick "I was fashioned by him. He was so to speak my spiritual father and mother."¹⁶ (Marshall did treat Sidgwick pretty badly in life. Conflict between Sidgwick and Marshall arose over Sidgwick's views as a member of the General Board of Studies of the University of Cambridge and as Chairman of the Special Board on the nature of the lectures required in economics. Marshall denounced Sidgwick as a petty tyrant and despite Sidgwick's explanations returned to the attack both in letters to Sidgwick and in his inaugural lecture of February 1885.)¹⁷ John Neville Keynes called him "the most intellectually gifted man he had ever met."¹⁸ "If any Englishmen ever belonged to the household of Socrates, Sidgwick was he" wrote Morley.¹⁹ James Bryce wrote: "Few men of our time have influenced so wide or devoted a circle of friends as did Henry Sidgwick."²⁰ Bryce concludes his account of Sidgwick as follows: "When his friends heard of his departure there rose to mind the words in which the closing scene of Socrates is described by the greatest of his disciples, and we thought that among all those we had known there was none of whom we could more truly say that in him the spirit of philosophy had its perfect work in justice, in goodness and in wisdom."²¹

From his writings, Sidgwick emerges as a man committed to truth verified by reason and experience and historical and contemporary facts. He brought to bear on even his study of Biblical writings the same commitment to the principles of rational investigation as he did in his lectures on the plays of Shakespeare to the students of Newnham College.²² Perhaps even more impressive than his dedication to go to the bottom of all phenomena being investigated to the extent possible is the passion--what he calls "enthusiasm"--to see a better world and work towards it. This was the basis, paradoxical as it might seem, of his "religiousness" and his conviction that government can and should play a greater role in making possible equity and social justice. But he never permitted his desire for a better world to become a mere "utopianism." In a critical review of Matthew Arnold's parting address at Oxford University he summed up what may be regarded as the essence of the social problem. "And if it were possible that all men under all circumstances, should feel what some men, in some fortunate spheres, may truly feel--that there is no conflict, no antagonism between the full development of the individual and the progress of the world--I should be loath to hint at any jar or discord in this harmonious movement. But this paradisaical state of culture is rare. We dwell in it a little space and then it vanishes into the ideal. Life shows us the conflict and the discord; on the one side are the claims of harmonious development, on the other the cries of struggling humanity.... This latter ("what in the interests of the world is most pressingly entreated and demanded") if done at all, must be done as self-sacrifice, not as self-development. And so we are

brought face to face with the most momentous and profound problem of ethics."²³

The unifying element of Sidgwick's intellectual effort of a lifetime was his attempt to reconcile the antagonism between the rationality of self-development and the necessity for a moderate amount of sacrifice for the social good. This led him to plead for a religion that while teaching "that unnecessary self sacrifice is folly and that whatever tends to make life harsh and gloomy cometh of evil," would at the same time stimulate the necessary amount of self-sacrifice to better the lot of mankind.²⁴

C. D. Broad said of Sidgwick during the celebration of the centennial of his birth; "More than any man whom I know Sidgwick did succeed in 'seeing life steadily and seeing it whole.' The strong desire for unity and symmetry which he shared with all philosophers never led him to over-simplify the facts. His high ethical and religious ideals never caused him to whitewash unregenerate humanity or to view through rose colored spectacles the frantic struggle to feed and breed and kill and escape which make up the life of most men.... His whole hearted acceptance of the methods and achievement of natural science never hid from him, as it does from so many, the standing miracle of man as thinker, artist, organizer and moral agent."²⁵

Intellectual Influences on Henry Sidgwick

In philosophy as well as ethics and economics, Sidgwick studied and worked in a rich period in human thought both on the European continent and in the United Kingdom. Of the period, C. D. Broad writes, "the period from 1855 to 1875 was one of immense activity in the realm of ideas and practice. The traditional view of the Jewish and Christian scriptures was being undermined by the writings of Strauss and Baur and Renan and the doctrine of evolution was being established in biology by experts like Darwin and Huxley, and was being exploited by enthusiastic amateurs like Herbert Spencer as the key which was to unlock all the problems of the universe."²⁶ As an undergraduate student, he became a member of the philosophical discussion society that went by the name of "Apostles" which met at the house of John Grote, the Knightbridge Professor of Moral Philosophy at the University of Cambridge. In an autobiographical narrative, Sidgwick described the spirit of the "apostles" as one of the pursuit of truth with absolute devotion "which led him to discover that the deepest vent of his nature was towards the life of thought--thought exercised on the central problems of human life."²⁷ Sidgwick's own seriousness was such that he "sought light on these problems," "not casually but systematically and laboriously, from various sources and by very diverse methods."²⁸ Sidgwick's own work was based on thorough study and discussion and constituted a direct continuation of the work of the moral philosophers of the eighteenth and nineteenth centuries, particularly of Joseph Butler and Immanuel Kant and Jeremy Bentham and John Stuart Mill.

John Stuart Mill was the single greatest moral and intellectual influence on Sidgwick, his take-off point in ethics, politics, and economics. In all his works, he acknowledges reverently this intellectual parentage.

Ethical Thought in Sidgwick's Time--An Outline Survey of Influences

Before we look at the formative influences on Sidgwick's ethics, it would be useful to define our terminology. Ethics is concerned with the meaning of good and bad, and right and wrong. We will use the terms ethics and moral philosophy synonymously to mean investigation about morality, moral problems and moral judgements. Moral philosophy arises, writes William Frankena, when "we pass beyond the stage when we are directed by traditional rules and even beyond the stage in which these rules are so internalized that we can be said to be inner-directed, to the stage in which we think for ourselves in critical and general terms ...and achieve a kind of autonomy as moral agents."²⁹ The problem of morality arises at a minimum when there are at least two people. Therefore, though "private ethics" in terms of the bases and justification of private conduct is emphasized often, ethics is social in character and implications because even what is "moral" for personal behavior or conduct has to be decided in the context of group and societal relationships. And very few personal actions are entirely free from societal consequences.

Morality involves, to quote Frankena once again, "1) certain forms of judgements in which particular objects are said to have or not to have

a certain moral quality, obligation or responsibility; 2) the implication that it is appropriate and possible to give reasons for these judgements; 3) some rules, principles, ideals and virtues that can be expressed in more general judgements and that form the background against which particular judgements are made and the reasons given for them; 4) certain characteristic natural or acquired ways of feeling that accompany these judgements, rules and ideals, and help to move us to act in accordance with them; 5) certain sanctions or additional sources of motivations that are also often expressed in verbal judgements, namely, holding responsible, praising and blaming; 6) a point of view that is taken in all this judging, reasoning and feeling, and is somehow different from those taken in prudence, art, and the like."³⁰ Moral judgements may be "judgements of moral obligation" or "deontic judgements" (as when we talk about particular actions as being right and wrong) or they may be "judgements of moral value" or "aretaic" judgements (as when we talk not about actions but about persons, motives, intentions being good or bad). What we call "values" are therefore normative judgements. Both these types of judgements should be distinguished from judgements of nonmoral value as when we evaluate things such as cars, paintings, experiences, forms of government, etc.

The starting point for understanding Sidgwick's ethics, as of all ethics, is the ethics of Thomas Hobbes (1588-1679). "The mainstream of English ethics so far as it flows independently of revelational theology" wrote Sidgwick in his Outline of Ethics "begins with Hobbes and the replies that Hobbes provoked."³¹ Hobbes had an essentially materialistic

and egoistic view of human nature. He concluded from his view of psychology that all human impulses are self-regarding. Each man's appetites or desires are naturally directed either to the preservation of his life or the heightening of it which he feels as pleasure and to the diminution of pain. Even the most apparently unselfish emotions are perceived by Hobbes as various aspects of self-regard. "All society is either for gain or glory," he writes. Men are therefore not naturally sociable. It is only mutual fear that drives them into political union and to accept the restraints and duties involved in such union.

Men are endowed with reason which guides them to observe the social rules of behavior because they are a means to their preservation or pleasure. Such observance of rules is conditional, according to Hobbes, on their general observance, which needs the intervention of government. Whether such a government arises by virtue of a social compact or is imposed on the people by force, the authority of the sovereign must be unquestioned and unlimited. The only constraint on the sovereign is the law of nature which enjoins on it the duty to seek the good of the people because it is bound up with its own good. But the sovereign is accountable only to God for its fulfillment of duty. Its commands are the basis of right and wrong for the conduct of its subjects and ought to be obeyed absolutely in return for the protection afforded by the sovereign for as long as the protection is afforded. As Sidgwick points out, the theoretical basis of Hobbes is the principle of Egoism--"that it is natural and so, reasonable for each individual to aim solely at his own preservation or pleasure." Moreover, good and evil are relative

in a double sense; from one point of view, they are defined as the objects respectively of his desire and aversion; from another, they may be said to be determined for him by his sovereign.

Hobbes derives his theory of obligation from his account of the Laws of Nature.³² (A law of nature is a general rule based on reason which forbids a man to take his life or the means of preserving it.) He has nineteen such laws of which the first three are the most important. The right of nature is that each man has the liberty to use his own power for self-preservation; thus, it may be said that in a state of nature every person has a right to everything. This leads to insecurity because the natural right to preserve one's life of one person leads others to kill him. This leads to the first law of nature "that every man ought to endeavor peace as far as he has hope of obtaining it." The second law of nature is derived from the first "that a man be willing when others are so too, as far forth as for peace, and defense of himself he shall think necessary, to lay down this right to all things, and be content with so much liberty against other men, as he would allow other men against himself." A large number of men thus renounce part of the right each of them possessed. But this renunciation is prudential, not moral-- "the object is some good to himself." Since the basis of making such a covenant is the expectation that it would be kept, Hobbes's third law follows that "men perform their covenants made." This is the law which prescribes adherence to justice as a standard of conduct. Until a covenant has been made, nothing can be unjust. When there is a covenant, not to perform one's part of it constitutes injustice, provided there exists

some power which will coerce all to keep their covenants. Hobbes considers the moral virtues prescribed by the laws of nature as moral virtues because the practice of them conduces to peace, which all men acknowledge as good.

John Locke (1632-1704) is the next figure we must consider. He agreed with Hobbes in interpreting "good" and "evil" as nothing but pleasure and pain or that which occasions or procures pleasure and pain but he identified the meaning of moral goodness with conformity to the Law of God. Ethical rules could be constructed on the basis of principles intuitively known but were obligatory irrespective of the nature of political society. Instances of such rules he gave were such as "no government allows absolute liberty," "where there is no property there is no injustice," etc. The aggregate of such rules he regarded as the Law of God. He affirms cautiously the possibility of the scientific ascertainment of this Law of God. He thought that morality might be a science "capable of demonstration" if men applied themselves with sufficient zeal and disinterestedness, though he himself did not produce such a science. He did, in his adherence to the concept of natural law make important modifications such as "that all men are originally free and equal; that one ought not to harm another, but rather aid in preserving him, so far as his preservation is not thereby impeded; that compacts ought to be kept; that parents have a power to control and direct their children, but only till they come to the age of reason; that the goods of the earth are common to all in the first instance, but become the

private property of one who has 'mixed his labor with them,' if there is enough and as good left in common for others...."³³

The Cambridge moralists who constituted a small group of thinkers at Cambridge in the 17th Century sought also to reply to the legalistic view of morality of Hobbes. They regarded morality as an absolute system of knowledge of good and evil, right and wrong, that was intuitively certain, and independent of the arbitrary will of the Sovereign, human or divine. They contended that man is by nature benevolent. Moreover, they believed that men are sometimes moved to action by benevolence but that duty consists in being benevolent because one ought to be benevolent. The distinction is thus made between "instinctive" and "rational" benevolence. Benevolence was regarded as natural to man not only because it was instinctive but also because it was rational. Men desire to be benevolent not only because it might sometimes give them pleasure but also for its own sake. Ralph Cudworth (1617-1688), the most distinguished of the Cambridge platonists, regarded the distinctions of good and evil as objectively real and cognizable by human reason. As Sidgwick wrote, "The knowledge of them (good and evil) comes no doubt to the human mind from the Divine; but it is from the Divine Reason, in whose light man imperfectly participates, not merely from the Divine Will as such. Ethical, like mathematical, truth relates properly and primarily not to sensible particulars, but to the intelligible and universal essences of things, which are as immutable as the Eternal mind whose existence is inseparable from theirs. Ethical propositions therefore are as

unchangeably valid for the direction of the conduct of rational beings as the truths of geometry are."³⁴

The question then arises if the cognition of what is moral will lead to right action. Experience shows that this is not so. While it is possible that Cudworth himself may have thought in terms of a love of moral excellence in his description of reason, the Cambridge platonists did not often distinguish between the perception of virtue and the desire to act virtuously. It was left to Joseph Butler to emphasize both.

While the Cambridge platonists emphasized "reason" as the basis of understanding the Good, moral philosophers like Shaftesbury and Hutcheson emphasized the "moral sense" as the distinct attribute of man which enabled him to do so. Shaftesbury (Third Earl of Shaftesbury, 1671-1713) distinguished between three kinds of motives in men: 1) the "natural" affections which are directed to the good of its kind; 2) the "self-affections" which are directed to the good of the self; and 3) the "unnatural" affections which are directed to the momentary satisfaction of such malevolent desires as are harmful to society and to self. The unnatural affections should be excluded altogether from a well-balanced mind. The first kind are a source of happiness to those who do experience them. Shaftesbury regarded mental pleasures as superior to bodily ones. Similarly, self-affections if kept within limits, would also enhance an individual's good. But man is a member of society and man as a social being may be considered "good" only when his impulses and affections are so graduated and balanced as to promote the good of society. Even benevolent social impulses must be so balanced as to

allow room for all kinds of affections except the malevolent. What is important is a harmony of the different elements. An affection such as generosity, for example, should be tempered by sufficient self-affection in order to achieve both private happiness and public good--the tendency to promote the latter being taken as the criterion of balance.

Shaftesbury's argument is that the blending of private and social affections which promotes public good, also conduces to the happiness of the individual. Fulfillment of natural affections yield great mental satisfactions and self affections, when limited, also directly promote the individual good. Shaftesbury went further in regarding not only fulfillment of affections as conducive of happiness, but the contemplation of such actions as becoming "affections" themselves so that there developed in the individual "a love of good for its own sake." Thus Shaftesbury answered the question of the obligation to virtue in terms of the obligation to self-interest.

But the optimism of Shaftesbury which conceived that the operation of moral sense would always be in harmony with rational judgement as to the good of the species was powerfully challenged by Bernard De Mandeville (1676-1733), famous author of the "Fable of the Bees." He pointed out that even in his world of bees the laboring poor are driven to work by necessity and that even the upper and middle classes are not as free as appeared at first sight. Self-love must be bound by justice in the world of bees. However, Mandeville did not have a social philosophy to cope with the problem. He was merely clever in regarding man

as a selfish, headstrong and cunning animal whose selfish impulses clever politicians subdued by resort to flattery.

In coming to the defense of Shaftesbury, Francis Hutcheson, (1694-1747), Adam Smith's teacher, admitted self-preservation and self-love as important motivations of men at the level of subsistence but felt that beyond that the moral sense would and should exercise a "regulating and controlling function" in establishing a hierarchy of values that placed love of fellowman and God above those of personal advantage. He regards the "calm" and the "extensive" affections as preferable to the "turbulent" and "narrow." The best man is he who has the calm, stable, universal goodwill to all by which he desires "the highest happiness of the greatest possible system of sensitive beings" or who has the "desire and love of moral excellence, which in man is inseparable from the universal goodwill which it chiefly approves."³⁵ Hutcheson did not think that there was a conflict between the two and treated these as coordinate. In analyzing private good or happiness Hutcheson went to great lengths to show that a true regard for private interest always coincided with the moral sense and benevolence. But in thus attempting to show the harmony of private and public good, he is careful to show the strict disinterestedness of benevolence. As a matter of fact, Hutcheson in deducing natural laws from his theory of "moral sense" explicitly moves to the later utilitarian view that a so-called "material" good action is one which procures "the greatest happiness for the greatest numbers" and a formal good action is one which flows from disinterested benevolence towards the same end.

Joseph Butler (1692-1752) was an ordained minister of the Church of England who became Bishop of Bristol and then of Durham. He is a unique figure whose "Fifteen Sermons" and "Dissertation on the Nature of Virtue" contained in his "Analogy of Religion" constitute, according to C. D. Broad one of the best introductions to ethics that exists. Butler was influenced by both the Cambridge platonists and Shaftesbury and Hutcheson.

Butler's concept of human nature is that of a system in which the different propensities and principles have a function and a proper place, and which work together in certain right proportions and right relationships. The latter are determined by the end or use for which man exists. In looking at the rightness or wrongness of our action, we have to look at the actual relative strength of the various propensities of human nature in relation to the system as a whole, and in comparison with what human nature ought to be like, as discovered by reflecting on the great variety of actual persons.

Butler conceived of human nature as consisting of 1) a number of "particular passions or affections" such as is a direct movement towards an external object. They may benefit the agent or mainly benefit other people. 2) Two general principles of "cool self-love" and "benevolence" which constitute the bases of action and are at the same time regulative of particular impulses. By cool self-love, Butler means "the tendency to seek maximum happiness for ourselves over the whole course of our lives. It is essentially a rational calculating principle which leads us to check particular impulses and to coordinate them with each other

as to maximize our total happiness in the long run." By benevolence is meant the principle of trying "to maximize the general happiness according to a rational scheme and without regard to persons."

Butler pointed out that particular impulses are directed at particular objects and are different from and may even conflict with self-love which is a general principle. Generally speaking, particular impulses are means to self-love but not always. As for self-love and benevolence, he did not think that they were contrary to each other. Overemphasis on the one at the expense of the other does produce contradictions between the two but excessive indulgence in anything of course produces unhappiness. Therefore, a person has to check an excess of indulgence of the particular impulses. 3) Conscience, the supreme regulator, Butler defines as follows, "...there is a superior principle of reflection or conscience in every man, which distinguishes between the internal principles of his heart, as well as his external actions, which passes judgement on himself and them; pronounces determinately some actions in themselves just, right, good; others to be in themselves evil, wrong, unjust; which without being consulted, without being advised with, magisterially exerts itself, and approves or condemns him, the doer of them accordingly...."³⁶ Conscience has a cognitive and an authoritative aspect. As a cognitive force, conscience reflects now actions from the point of view of right and wrong. Butler thought that all persons are endowed with a moral understanding or moral sense. Moreover, the moral faculty judges only in reference to the ideal nature of the agent. A child has to be judged, for example, differently from an adult. The

The judgement of conscience is definitive at least in terms of moral rightness for not doing or doing something. However, he does not convert moral dictates into self-evident intuitions or axioms.

Butler puts conscience above benevolence and self-love which in turn were regarded as superior to the particular impulses. In particular people, of course, self-love may overpower conscience at the expense of prudence. Butler regarded both excesses as wrong. Conscience has the right to be supreme even though it may lack the "psychological power" to regulate.

Butler's influence on Sidgwick was profound; David Hume's (1711-1776) though not so obvious, was both more widespread and penetrating. Hume is not just a figure who influenced his contemporaries and successors to a remarkable degree. His significance as the father of one type of intellectual tradition--that of what Hayek has called "the Empirical and unsystematic" tradition--has grown in recent years. His stamp on contemporary thought is vital.

David Hume described his Treatise of Human Nature as an attempt to introduce the experimental method of reasoning into moral subjects. He derives a set of general principles about human nature from observed facts. The ethical categories in Hume are three: firstly, intrinsic as opposed to instrumental good and evil; second, virtue and its opposite; third, the problem of what men ought to do. Hume defined good and evil as pleasure and pain. He was concerned with virtue, then aspects of character that are admirable and with right and wrong and the nature of justice.

According to Hume, men's ability to make moral judgements depends on their passions and sentiments, not purely on their intellectual faculties. Moral approbation and disapprobation are in the nature of sentiments, not a result of "reason." Reason discovers matters of fact and relations between ideas. But reason is inert and cannot by itself produce action, where as moral judgements do influence action. Moral judgements cannot, therefore, be derived from reason.

Hume regarded the human mind as consisting of perceptions which are either ideas or impressions. Impressions are either original or secondary. Original impressions are sense impressions, secondary impressions are called passions, e.g. feelings (except bodily pleasure and pain which are original impressions), emotions and sentiments. With regard to the operations of the intellect, he develops the principle of association of ideas. Ideas are associated by the three principles of contiguity, resemblance and causation which link persons with other people or objects. He also postulates a principle of association of impressions. The two principles often work together. The method Hume employs in his explanations is one of empirical argument and demonstration.

Crucial to the explanation of moral judgement is also the idea of "sympathy." We experience emotion by a feeling of sympathy, by seeing others experiencing it. We feel moral approval for a quality according to whether it is useful or agreeable to oneself or others. Moral approval or disapproval are "sentiments" which we experience when we contemplate the qualities in question as disinterested spectators. In making moral judgements, we examine the qualities and the actions as

they exemplify the qualities from the point of view of the motives that produced them. For Hume, motives are all-important in determining the nature of moral good. For good conduct to be good, the motive has to be right. The point of view is all-important. Moreover, we have to consider a quality or character in general and distinguish between pleasure received by us as private persons and pleasure received by us as well wishers of others. The ethical point of view is the humanitarian. Rationality is essential for impartiality and sympathy is needed for participating in the feelings of others.

Hume's ethical theory is based on a distinction between the many natural virtues and the one artificial virtue "justice." In general natural rights were brought under the headings of "property and promises." Property is anything of which we cannot be rightly deprived and may be taken to include life and liberty. Hume says that in conditions of natural scarcity and in view of man's natural propensity to look after himself and those nearest to him, it is a matter of "learning" to make covenants and abide by them in order to safeguard property. The sense of justice and injustice is not derived from nature but arises from education and human convention. It is a result of what Hume calls "artifice" or "contrivance." Men are led both by training and by a sense of honor to abide by the conventions they set up. The first general convention establishes the concepts of "justice" and "injustice" and of property, right and obligation. "Our property is nothing but these goods, whose constant possession is established by the laws of society, that is by the Laws of Justice."³⁷ Hume's concept of justice

does not have any sense of fairness or equitable distribution but consists rather in the maintenance of an existing distribution except in so far as it is modified by agreement and consent. His idea of justice contains no basis for criticism of the existing distribution. Justice is derived from the self-interest of men to maintain property.

The question then is how moral obligation becomes attached to justice. The answer lies in sympathy. In Hume's own words, "The general rule reaches beyond those instances in which it arose; while at the same time we naturally sympathize with others in the sentiments they entertain of us. Thus self-interest is the original motive to the establishment of justice; but a sympathy with public interest is the source of the moral approbation which attends that virtue."³⁸ Sympathy brings about our compliance both to the "artificial virtues" and to many of the "natural virtues." Our approval and disapproval therefore rest on the principle of the general interest, derived originally from self-interest and expanded by sympathy to others. Hume thus rejects by appeal to reality the root of moral approbation in self-love and on the same empirical basis attempts to establish that "reflections on public interest and utility" are "the sole source of the moral approbation paid to fidelity, justice, veracity, integrity" and other virtues as well as the sole basis for the duty of allegiance. But as is pointed out by Kemp, "Hume is not restricted to any narrowly utilitarian view of morality; for him utility means usefulness for any desired end or purpose, not just usefulness for the purpose of producing pleasure and reducing or preventing pain."³⁹

Adam Smith (1723-1790) takes off from Hume in his Theory of Moral Sentiments. He regarded sympathy as the ultimate element into which moral sentiments may be analyzed. According to Smith, men approve of the conduct of another person, if when they put themselves in the other's situation, they feel a sympathy for the motivations underlying the other's behavior. Our approval of virtue is convenient for the individual and society but is not based essentially on "utility." Rather it is based on "propriety" of action or "sentiment." Propriety is the basis of moral judgement and our view of propriety arises from sympathy. Men are thus "spectators" in their observance of the conduct of others and to the extent that they are not personally involved in the situation observed and are impartial spectators, develop moral norms for their society. Conscience, according to Adam Smith, originates in the individual's attempts to observe his own behavior with the purpose of anticipating other people's reactions. This role of observing one's own behavior leads to the "ideal spectator" who is the internal monitor of one's actions and develops conscience as an autonomous factor in people's lives. Morality thus comes to be ultimately founded upon experiences of what in particular instances, our moral faculties, our natural sense of merit and propriety, approve or disapprove of."⁴⁰

Smith justifies conduct based on the ideal in the same manner as he justifies conduct based on normal attitudes--i.e. they have beneficial consequences for the general happiness. The ideal man makes us "genuinely rather than merely prudentially concerned to act in accordance with the wishes of their fellows. Conscience, therefore, gives

men a commitment to social cooperation which would not result from external sanctions alone."⁴¹ Moral sentiments in general and conscience in particular have a functional utility in demonstrating that they are essential for social harmony and the happiness of mankind. Smith does not think that "considerations of utility have any significant influence in determining the content of any widely accepted moral principles. But Smith does assume that utility is the standard by which to assess the good and bad qualities of a total way of life."⁴² Smith does not, of course, assert that men should work for other people's happiness or welfare but he does think that a society should be evaluated in terms of the happiness of its members. For Smith, all thinking persons must accept benevolence or concern for human happiness as the contemplative moral principle (arrived at after much reflection) which in turn helps to assess practical moral principles. Universal benevolence constitutes the basis of Smith's justification of utility.

As pointed out by Sidgwick, the theories of Hume and Smith together anticipate the explanations of moral sentiments offered by the utilitarians. By utilitarianism in this context we mean a general theory of ethics which provides a criterion for distinguishing between right and wrong and a basis for moral judgements of actions. Utilitarians believe that the rightness or wrongness of an action is determined by the goodness or badness of the results of these actions. Moreover, they believe in the hedonist principle that the only thing good in itself is pleasure and the only thing bad in itself is pain. As utilitarians have thought of happiness as a sum of pleasures, utilitarianism has usually been

represented in terms of the greatest happiness principle that the rightness of an action is determined by its contribution to the happiness of everyone affected by it.

The above representation of utilitarianism is that of Jeremy Bentham and John Stuart Mill, the two greatest influences, apart from Butler and Kant, on Henry Sidgwick. (Joseph Butler is important only from the point of view of the evolution of Henry Sidgwick's particular version of utilitarianism. For the theory of utilitarianism in general, David Hume remains the far more important figure.)

According to Jeremy Bentham (1748-1832), pleasure and pain determine both what we shall do and what we ought to do. The appropriate basis of action is the happiness of people whose interest is in question. The community is the sum of its members and as such the happiness of the community is the sum of the happiness of its members. Bentham distinguishes between "probity" which means "forbearing to diminish the happiness of others" and "beneficence" which means "studying to increase it." Bentham sees a rough coincidence between the sphere of probity and the domain where punishment under law would be appropriate. Private morality is the proper sphere for enhancing human happiness. As to the motives people have to consider the happiness of others, Bentham answers in terms of motives of sympathy and benevolence and semi-social motives of love and amity and reputation.

It is Sidgwick's view that Bentham himself, in many of his writings, does not adequately reconcile the conflict between his view that men will first and always consult their own interests and his assumption

sometimes that the interests of men will conflict with that of their fellows. However, in the posthumously published Deontology (edited from the manuscript by Bowring) the assumption is that the conduct which promotes general happiness always promotes that of the agent. But in the actual conditions of society, according to Sidgwick, this is not true.

John Stuart Mill (1806-1873) modified the emphasis on pleasure in Bentham by distinguishing between inferior physical or bodily pleasures and superior mental and intellectual pleasures, in the process almost abandoning the hedonistic calculus of Bentham. Bentham based his so-called "hedonistic calculus" on a sevenfold distinction of the properties of pleasure--its intensity, its duration, its certainty of actually taking place and its propinquity, its distance in time from the calculation. Moreover, there are two causal relationships in which pleasures and pains stand to other pleasures and pains--fecundity, the chance a pleasure has of being followed by sensations of the same kind, and purity, the chance it has of not being followed by sensations of the same kind. Finally, in all cases where the interests of a number of people are in question, the extent, or number of people affected, needs to be taken into consideration.⁴³

These seven properties are called the dimensions of pleasure and pain and constitute the base of calculating the balance of the sum of pleasures and pains. John Stuart Mill argues that while it is possible to establish the superiority of mental over bodily pleasures in this fashion, it would be better to recognize the fact that some kinds of pleasure are more desirable and more valuable than others in their

intrinsic nature. "It would be absurd," he wrote, "that while in estimating all other things, quality is considered as well as quantity, the estimation of pleasures should be supposed to depend on quantity alone."⁴⁴ It is, of course, possible to restore the identification of value with the quantity of pleasure that Mill ostensibly rejects, by his (Mill's) own argument that superiority of mental pleasures can be established by the decided preference "people have for them." For surely, the greater preference can be taken as indicative of a stronger desire for the particular kind of pleasure referred to.

Mill's solution of the conflict referred to above between the egoistic theory of motivation (all action is ultimately for the sake of the agent's own pleasure) and the utilitarian ethic of general happiness is Hobbesian, that self-sacrifice is a means to individual happiness. Moreover, men have a natural feeling of sympathy for their fellows. Living in society also conduces to a greater concern for the general happiness. Mill also suggests that what begins as a means to an end, becomes desirable in itself.

Mill has a famous and controversial "equivalent to proof" of utility that goes as follows: The first step is an affirmation of the principle of psychological hedonism: Pleasure, or happiness is the only thing men desire for its own sake. The second principle has been called that of subjective ethical hedonism. Each man's pleasure is a good to him. The final step is the derivation of objective ethical hedonism. The general happiness is good for all. But the proof is "hardly adapted to convince an individual that he ought to take the greatest amount of his

own happiness as the standard and supreme directive of his conduct.⁴⁵ Actually when he considered the matter of the source of obligation of utilitarian morality, Mill goes to the explanation of "feeling of unity with his fellow creatures." But as suggested by Sidgwick, even with the modifications introduced into the concept, "it cannot be said that Mill's utilitarianism includes an adequate proof that persons of all natures and temperaments will obtain even the best chance of private happiness in this life by determining always to aim at general happiness."⁴⁶

Mill also concerns himself with the problem that utility does not include actions which we commonly regard as just. For example, it is only the aggregate amount of pleasure and pain with which the principle of utility is concerned. This aggregate may be compatible with many different distributions of pleasure--more and less inequalities in society. Mill contends that the greatest happiness principle of Bentham secures equality of treatment. But this is unconvincing. Equality of treatment enjoined by the principle of justice is a difficult and complex question and is so recognized by Mill. He cites income distribution, taxation and punishment as problems that are extremely difficult to resolve justly. Justice, as a matter of fact, is less easily accounted for by utility than Mill supposed.

It remains to examine briefly the influence of Immanuel Kant (1724-1804) on contemporary ethics in Sidgwick's time. Kant treats the notions of duty or obligation and right and wrong as fundamental. He states that "nothing in the world can possibly be conceived which can be called good without qualification except a good will." A good will is one which

wills rightly. No action is good unless done from a good motive. This motive must be different from natural inclination of any kind. The rightness or wrongness of action does not depend upon actual consequences or intended consequences. Right action is done from a sense of duty. Moreover, the fundamental laws of morality must be the same for all.

In examining the criterion of rightness of motive, Kant distinguishes between "actions on impulse" and "actions on principle," the latter being actions taken according to some rule or principle. He holds that for an action to be right, it must be done on a general principle accepted by the agent.

Kant, moreover, distinguishes between "hypothetical" and "categorical imperatives." A principle of conduct which is accepted, not on its own merits, but as a rule for gaining some desired end is called the hypothetical imperative. Such a rule, as is pointed out by C. D. Broad is both contingent and derivative. "A categorical imperative," on the other hand, "would be one that is accepted on its own merits, and not as a rule for gaining some desired end."⁴⁷ Kant regards as right action only action done on a principle which is a categorical imperative. For a principle to be general, Kant has the criterion "Act on a maxim which thou canst will to be law universal" and this is both a necessary and sufficient condition for any principle to be a categorical imperative. Kant thus provides a test for rules of action, a test moreover which recognizes action on the basis of principles. Kant however does not allow for actions to be right under certain circumstances for certain people and not right for others in the same situation.

Kant gives two other forms of the law of morality. "Act so as to treat humanity in thyself or any other as an end always, and never as a means only." The third form is "A principle of conduct is morally binding on a person if and only if he can regard it as a law which he can impose on himself." Both these forms contain important truths, though it is not quite so clear that they are equivalent to the first, the "universal law." Even though there is no necessary connection between Virtue and Happiness, Kant did believe that virtue deserved a certain amount of happiness.

Evolution of Sidgwick's Ethical Theory

The preface to the sixth edition of Sidgwick's "Methods of Ethics" contains an account from the pen of Henry Sidgwick that describes the intellectual evolution of his ethical thought. It would be useful to summarize this account. Sidgwick's first adhesion to an ethical system was to the utilitarianism of Mill, to which he (Sidgwick) turned in some relief from the pressure of what he calls "arbitrary and unreasoned moral rules" which everyone in society was required to obey. He was attracted both by psychological hedonism and the ethical hedonism in its universalistic form without perceiving the conflict between the two. The relation between "interest" and "duty" which had been inadequately dealt with theoretically by J. S. Mill continued to trouble Sidgwick until further study and reflection led him to perceive the irreconcilability on rational grounds of "my happiness" (egoistic ethical hedonism, as he calls it) and the "general happiness" (universalistic ethical hedonism),

either of which by themselves are rational. Moral choice then becomes necessary as between "general happiness" and "self-interest." At this point, Sidgwick was led to modify Mill's utilitarianism so that its basis would be the need of a fundamental ethical "intuition" which he postulated as the Kantian moral law "Act from a principle or maxim that you can will to be a universal law." But this did not still settle finally the question of subordination of self-interest to duty. There is, according to Sidgwick, nothing in the Kantian imperative which could prevent the Hobbesian "self-preservationist" from choosing as perfectly reasonable for all men, his own happiness, in preference to the general happiness. "The rationality of self-regard seemed to me as undeniable as the rationality of self sacrifice," he writes.

He saw, however, on a re-reading of Joseph Butler that he had in his earlier readings not understood or misunderstood him and that Butler indeed admitted that "interest, my own happiness, is a manifest obligation" and that this "duality of the governing faculty" or what Sidgwick calls "the dualism of the practical reason" was seen clearly by Butler. At this point, Sidgwick saw what was wrong with psychological hedonism as distinguished from ethical hedonism. Psychological hedonism involves not only the idea of every man seeking his own happiness but the idea that it is, as it were, a law of human nature that a person can aim only at his own greatest happiness. Sidgwick recognized that there are "disinterested" or "extra-regarding impulses to action, impulses not directed towards the agent's pleasure." So that there is a moral significance to the ethical "ought" both in relation to individual happiness

and universal happiness. Butler's idea of "conscience" as the arbiter seemed to Sidgwick insufficient as a criterion of choice and so he was led to explore what he calls the "morality of commonsense" which also Sidgwick found to be wanting in clarity as a guide to moral choice. By the "morality of common sense" Sidgwick meant practical principles which have been seriously put forward as bases of conduct which have been more or less satisfactory to the common sense of mankind but which, according to Sidgwick, need to be subject to the tests of clarity, self-evidence of the proposition, and more importantly consistency and "universality" or "generality." Sidgwick was thus driven to the fundamental moral intuition that the general happiness and not the private happiness of any individual is the categorically prescribed ultimate end. This is the fundamental intuition that justified utilitarianism. But the rationality and reality of the strong tendency to pursue self-interest even at the cost of general happiness cannot be denied and remained an essential element of Sidgwick's beliefs.

Economic Thought in Sidgwick's Time--An Outline
Survey of Influences on Sidgwick

It is now generally recognized that when Adam Smith wrote the Wealth of Nations, industrialization in England was still in its early stages and that problems of factory production, increasing substitution of machinery for men, technological changes that produced mass production, and urbanization and overcrowding in the new industrial centers, were only peripheral concerns of the political economist. The latter's pre-occupations were with abuses of excessive governmental control of the

economy, restrictions on free trade and their policy recommendations therefore dealt with the abolition of restrictive practices and laws. By the eighteen forties, many of these policy recommendations had been adopted. Trade became increasingly free of restrictions, until finally the corn laws were abolished in 1846. The business class gradually succeeded to a position of unimpeded economic power and uninhibited enjoyment of its successes.

But rapid industrial growth created new problems of excessive overcrowding in the new urban and industrial centers, overwork of men, women and children in miserable conditions at the workplace, etc. which led to factory legislation protecting women and children, repeal of acts prohibiting combinations of workmen, amendment of the Poor Law, etc. Politically, there came about a gradual increase in those enfranchised. At the very moment when the laissez faire position seemed most successful, the beginnings of state intervention to remedy the consequences of inequalities of power generated by unrestricted freedom of business could be seen.

At the time Sidgwick wrote his Principles of Political Economy (published 1883), England was going through a prolonged depression. There had been great development of the productive powers of society, with some improvement in the standards of living of the working classes (when they had work) but this progress was accompanied by much unemployment, great economic uncertainty for large sections of the population and considerable dislocation and misery for groups like the farming population unsettled by rapid economic change. Understandably, the strata of

population whose existence was threatened by the changes clamoured for protection.

The condemnation of the new ethic of nascent capitalism by voices such as those of Coleridge, Carlyle and Ruskin was not merely a romantic turning back to a world fast disappearing but symptomatic of the revival of the social conscience of the middle and upper classes revolted by the human costs of economic progress. The period produced a Marx and was dominated by a Mill, both of whom represented in their different ways the recognition of the need to adapt to the new civilization as well as the revolt against it that demanded change and reform. The number of those in sympathy with socialism whether of the Millian or later Fabian or even of the Marxian--both orthodox and revisionist democratic--variety increased considerably.

The meeting of the Political Economy Club of London held in 1876 to mark the hundredth anniversary of the publication of The Wealth of Nations demonstrated the fresh conflicts in economic thought and policy. The major issues of debate at the small gathering were "method" and "laissez faire" with a clear conflict of views between the "deductive" and "inductive" and "historical" schools and somewhat of a cleavage between those who feared an extension of the functions of government (as they pertained to the economy) and those who saw the compulsive need for government to come forward to protect the interests of the weak against the strong.⁴⁸ "It was around 1870," wrote Schumpeter, "that a new interest in social reform, a new spirit of 'historicism,' and a new activity in the field of economic theory began to assert themselves or

that there occurred breaks with tradition as distinct as we can ever expect to observe in what must always be fundamentally a continuous process."⁴⁹

The twenty five years before 1870 had been dominated by John Stuart Mill's Principles of Political Economy which had successfully blended the core of Ricardian doctrines with the important contributions of Adam Smith, J. B. Say, Malthus and Senior. As is pointed out by Mitchell, "The major part of his (Mill's) economic principles are borrowed from his great predecessors, from Ricardo most of all, from whom he got his ideas about the theory of value, wages, profits, rent, money and its distribution, international trade, the long-term tendencies of rent, wages and profits, as well as his theories of the incidence of taxation."⁵⁰ But it is possible to exaggerate, as Mill himself tended to do, the extent to which he had merely borrowed other people's ideas. Students of economic thought have emphasized Mill's contributions such as the more or less complete development of supply and demand analysis extended to the theory of international values, his modification of the strict quantity theory of money in regarding not the quantity of money but "expenditure" as acting on prices, etc. But in his own mind, Mill regarded his Principles as being "unique" for its "moral tone." Mitchell refers to this as the "humanization" of Economics and it is important in the context of the vulgarization of economics that had taken place in economics in the period immediately following Ricardo, "a vulgarization which adapted it to all sorts of partisan use, which made political economy in the hands of the well-to-do people a rationalization of their

view of the proper treatment of the poor, of their views of the ineffectiveness and worse of trade unions, of the undesirability of a protective tariff--a process that had made political economy, which professed to be a science, practically a weapon adapted to the uses of class warfare."⁵¹

Mill, for the above reasons, restricted the domain of the operation of economic laws to the physical aspects of production. With regard to the rest, institutions in particular, he asserted that they are man-made and changeable. "Distribution of wealth is a matter of human institution solely," he wrote, "The distribution of wealth therefore depends on the laws and customs of society. The rules by which it is determined are what the opinions and feelings of the ruling portion of the community make them, and are very different in different ages and countries; and might be still more different, if mankind so chose."⁵² Mill thus presented a fresh perspective on economic policy, that of gradual, evolutionary modifications of capitalistic institutions so that social justice and "the most beneficial ordering of industrial affairs for the universal good" could be attained.

The lacunae in the Ricardian doctrine that the very success of Mill's Principles exposed, and the changes in the social and economic situation of Britain which rendered some of the classical formulations questionable, would eventually lead to the revolution of the 1870's. The disavowal of the Wage Fund doctrine by Mill in his review of Thornton's book On Labor was only the culmination of the "gradual

melting away of comfortable mid-century uncertainties" as T. W. Hutchison puts it.

The basis of the wage-fund doctrine is the idea that "wages" are provided as an "advance" from capital. The source of the wage-fund is savings. The sequence might be visualized as follows: Capitalist's savings provided the wage fund which resulted in production. Sales of what was produced provided income which, if saved, would result in the replenishment of capital to provide the wage fund for the next round and so on. Thornton denied that there was such a thing as an average rate of wages (a criticism of wage theory in general) and more importantly, also denied that there was any definite quantity of money (wage-goods) that must under any circumstances go to labor. Mill substantially agreed with Thornton in his Review. The reason the admission shocked public opinion was presumably because the wage fund idea had been used to assert the impossibility of raising wages.

The Malthusian theory of population, another pivot of the classical system (and Mill did indeed attach exaggerated importance to this theory) also could be salvaged in the period we are considering (1850-1870) only by robbing it of almost all its content. For this period witnessed a rapid increase in population accompanied by some increase in living standards. Senior, Hearn, Bagehot, and many other economists of the period were therefore highly critical of the theory. The rise in living standards, modest though it was, also threw overboard the "minimum means for living" theory of wages.

Other aspects of the Ricardian analysis came in for increasing criticism as well. The most obvious was the theory of demand. Mill had refined the concept to that of a schedule but the paradox of value, the link between use and exchange value could not be resolved without introducing the concept of the margin. Moreover, the Ricardian model which sought to reduce all costs to labor quantities created problems and contradictions which would also ultimately lead to a different framework, especially as the Marxian development of the Ricardian doctrine was regarded as both unsatisfactory and unpalatable.

In addition, there was an onslaught on the methodology of economics, centered particularly on Ricardo. "It is," as Schumpeter has pointed out, "only when a field had grown into an established science that its votaries will develop an interest, not untinged with anxiety, in problems of scope and method and in logical fundamentals generally."⁵³ Ricardo had carried very far the principle of "isolating" economic phenomena and sorting out the implications of hypothetical constructions by long chains of reasoning in order to throw some light on an aspect of reality. Schumpeter, who had a strong aversion to everything Ricardian, describes the Ricardian method as follows: "The comprehensive vision of the universal inter-dependence of all the elements of the economic system... never cost Ricardo as much as an hour's sleep. His interest was in the clear cut result of direct, practical significance. In order to get this result he cut that general system to pieces, bundled up as large parts of it as possible and put them in cold storage--so that as many things as possible should be frozen and given. He then piled one simplifying

assumption upon another until, having really settled everything by these assumptions, he set up simple one way relations so that, in the end, the desired results emerged almost as tautologies."⁵⁴ There is a certain amount of truth in what undoubtedly is a caricature because without sufficient testing by reference back to facts, this method may be very misleading. "It is a valid criticism of Ricardo that save in regard to the phenomena of money and the foreign exchanges, his own practice was often seriously defective in this respect," declared Lord Robbins, "The strictures of the Historical Method, were not without considerable justification in this connection."⁵⁵

The historical school did not, indeed, deny the necessity for explanatory hypotheses, but felt that the "essence" of phenomena was lost when we isolated particular aspects such as the economic. The economics of the historical school was thus really an all-comprehensive sociology of man. In this form, "historism" is perhaps disreputable but in the form of the warning that the abstractions of the mathematical mode of expression yield results, the advantages of which are of diminishing importance as the reality to which they are applied becomes more complicated, it is of great importance even today. Sidgwick was to sound a similar caution in applying the conclusions of economic theory to the needs of practical policy.

The German historical school did not inspire but reinforced methodological criticism in England. But the attack on Ricardian methods came not only from historicists like Cliff Leslie and Darwinian evolutionists like Hearn (whose book, Plutology, was quite influential at the time) but

also from moderates like Toynbee and Bagehot who attacked not the deductive method but the lack of explicitness in the assumptions on the basis of which the Ricardian system was built.

A fairly influential defense of the classical system was attempted by Cairnes in his Leading Principles of Political Economy (1874). Cairnes had earlier in 1870 attacked the close relationship between Political Economy and laissez-faire. In his Leading Principles, Cairnes largely defended the classical system, but in the process of amending it, attacked J. S. Mill--for example, Mill's concepts of supply and demand which Cairnes, perhaps wrongly, regarded as ex post, realized definitions.⁵⁶ This and similar corrections led Sidgwick to write of Cairnes' defense of Mill, "As a controversialist, Cairnes, though scrupulously fair in intention, was deficient in intellectual sympathy; he could hardly avoid representing any doctrine that he did not hold, in such a way as to make it almost inconceivable to his readers that it could possibly have been held by a man of sense; and when this treatment was applied to some of his masters' (Mill's) most important statements, the expressions of personal regard for Mill by which it was accompanied only made the result more damaging to a reader who was convinced by Cairnes' reasoning."⁵⁷

Even though it went unrecognized at the time, William Stanley Jevons, was perhaps decisive in heralding the revolution in economics (in England) that ultimately established the new orthodoxy that has been called the "marginal revolution." Jevons had a strong aversion to Mill's principles and came to the "marginal" half of his theory, as Hutchison

has pointed out, from consideration of practical problems of railway rate fixing and railway development. He came to the "utility" half of his theory as a result of the direct influence of Bentham and the English utilitarians. In the preface to his Theory of Political Economy (1871) he wrote, "In this work, I have attempted to treat economy as a calculus of pleasure and pain, and have sketched out, almost irrespective of previous opinions, the form which the science, as it seems to me, must ultimately take."⁵⁸

Evolution of Sidgwick's Economic Thought

In the preface to his Principles of Political Economy, Sidgwick points out that next only to the influence of John Stuart Mill, the greatest impact on his thinking on economic subjects was that of Jevons' Theory of Political Economy. However, he rejects as totally false Jevons' angry characterization of Mill as "wrongheaded though able" and disagrees vehemently with Jevon's conclusion "that the only hope of attaining a true system of economics is to fling aside, once and forever, the mazy and preposterous assumptions of the Ricardian School."⁵⁹ Clearly, Sidgwick accepted many parts of the Ricardian system especially as they found a place in Mill's Principles and felt obliged to defend them.

It was under Mill's influence that Sidgwick was led to study political economy. "It was under Mill's influence," he wrote in an entry included in the 'Memoir' that "I was strongly led as a matter of duty to study political economy thoroughly."⁶⁰ Sidgwick also refers with

admiration to Sir James Steuart's Inquiry into the Principles of Political Economy (1767). Alfred Marshall's Economics of Industry also influenced Sidgwick, as also some then unpublished papers of Marshall. Sidgwick thus comes in the period between Jevons and Marshall and may be an important link between the two.

Sidgwick was also concerned to set in perspective the controversy regarding the methodology of economics, especially in regard to the attack of Cliff Leslie on the deductive system of Ricardo.

Moreover, events in England had overtaken the faith in *laissez faire* as an a priori system of inflexible rules that sought to restrict government intervention to a minimum. As we have noted earlier, increasingly in England the state had been compelled to intervene in some aspects of social and economic life such as protecting child and female labor. It was a time that stirred people to consider "reform" through governmental intervention as a serious theoretical proposition. As we shall see in the ensuing pages, Sidgwick was to provide for this movement, a well-argued and defended system that synthesized the best ethical and economic thought of the time. Sidgwick recognized perhaps more than anyone else in the academic world of economics of his time, the antagonism of working class leaders to the doctrines of classical political economy and the need for the latter to come to terms with the desire for happiness and a share in power of all the people, and how it might best be promoted by a combination of self-interest working through competition and public policy.

Sidgwick also saw the need for economic theory to take into its purview the tendency of policy makers on the European continent to turn away from free trade to protectionism.

Sidgwick's Principles was therefore in part an attempt to vindicate his "guru" at least to some degree, after the attacks of Thornton, Cairnes and Jevons on Mill, in part to bring some balance to the methodological controversy reestablishing in the process the debt of English political economy to Adam Smith, David Ricardo and J. S. Mill. But above all, Sidgwick sought to bring to the branch of political economy that deals with the role of government, a fresh approach to the problems of equity and distributive justice.

Footnotes

¹For example Sir John Hicks, The Crisis in Keynesian Economics (New York: Basic Books, Inc., 1974). Chapter entitled "Sad State of Economics" in the popular Robert Lekachman, Economists at Bay (New York: McGraw Hill, 1976). Joan Robinson, "The Second Crisis of Economic Theory," American Economic Review LXII (May 1972):1-9.

²Sir John Hicks, op. cit.

³Joan Robinson, op. cit.

⁴J. K. Galbraith, "Power and the Useful Economist," American Economic Review LXIII (March 1973):1-11. For the failure of mainstream economic theory to pay sufficient attention to the changing institutional environment which conditions economic behavior as well as its tendency to sacrifice relevance in its pursuit of rigor, see R. A. Gordon, "Rigor and Relevance in a Changing Institutional Setting," The American Economic Review 66 (March 1976):1-14. For a criticism of the limitations of the methodology of orthodox economics, see also Adolph Lowe, On Economic Knowledge (New York: Harper and Row, 1965) and Robert L. Heilbroner, ed., Economic Means and Social Ends (Englewood Cliffs, N.J.: Prentice-Hall, 1969). Adolph Lowe questions the validity of classical economic theory in the changed socio-historical environment of today and argues for what he calls "instrumental analysis" which would start from the postulation of a macro-goal and then go on to discover the instruments for attaining that goal including measures of control suitable for influencing motivations and directing behavior as needed. For a well argued Marxist position against positivist methodology see Martin Hollis and Edward J. Nell, Rational Economic Man: A Philosophical Critique of Neoclassical Economics (London: Cambridge University Press, 1975). Also see Assar Lindbeck, The Political Economy of the New Left (New York: Harper and Row, 1977), pp. 9-27. For a summary of New Left views on neo-classical orthodoxy and Stephen Hymer and Frank Roosevelt, "Comment" in Assar Lindbeck, *ibid.*, pp. 119-137. Somewhat close to the new left in their moral objections to capitalism are the views of the counter-culture exemplified by the late Dr. Schumacher in his Small is Beautiful, Perennial Library (New York: Harper and Row, 1973).

⁵Gunnar Myrdal, "Crisis and Cycle in the Development of Economics," in Gunnar Myrdal: Against the Mainstream: Critical Essays in Economics (New York: Vintage Books, 1975), p. 11.

⁶Kenneth Boulding, "Welfare Economics," in A Survey of Contemporary Economics, Vol. II, ed. Bernard F. Haley (Homewood, Illinois: Richard D. Irwin, Inc., 1952), p. 32.

⁷Alice Rivlin, "Income Distribution: Can Economists Help?" The American Economic Review LXV (May 1975), p. 6.

⁸Jan Tinbergen, Theory of Economic Policy (Amsterdam: North-Holland Publishing Co., 1963). H. Theil, Economic Forecasts and Policy (Amsterdam: North Holland Publishing Co., 1968).

⁹For an extended discussion of the economist as policymaker, see Carl Kaysen. "Model-makers and decision-makers in Economic Means and Social Ends, ed. Robert L. Heilbroner (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1969), pp. 137-153.

¹⁰Fritz Machlup, "Positive and Normative Economics," in Economic Means and Social Ends, ed. Robert L. Heilbroner (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1969), pp. 113-125. By "value references" Machlup means valuations of concern to the economist such as those of individuals as micro-economic decision-makers, of social groups, of governments, of symbolic clients whose welfare function he assumes, of the economists' own value as analyst, etc. He restricts the meaning of the term value-judgement to the normative aspects of welfare economics, where what is 'better' or 'best' for society becomes a function of the analysts' predilections.

¹¹James Bryce, Studies in Contemporary Biography (New York: Macmillan and Co., 1911)

¹²John Viscount Morley, Recollections (New York: The Macmillan Co., 1917), vol. 1, p. 123.

¹³C. D. Broad, Five Types of Ethical Theory (New York: The Humanities Press, Inc., 1950), pp. 13-14.

¹⁴T. W. Hutchison, A Review of Economic Doctrines (Oxford: Clarendon Press, 1953), p. 51.

¹⁵C. D. Broad, op. cit., p. 143.

¹⁶Quoted in T. W. Hutchison, op. cit., p. 51.

¹⁷For a detailed account of this conflict over university reorganization, see C. D. Broad: Henry Sidgwick in C. D. Broad, Ethics and the History of Philosophy (London: Routledge and Kegan Paul, Ltd., 1952), pp. 57-59.

¹⁸Quoted by Bernard Corry on Henry Sidgwick, International Encyclopedia of the Social Sciences (New York: Macmillan & Co., and the Free Press, 1961), vol. 14, pp. 235-236.

¹⁹John Viscount Morely, op. cit., p. 124.

²⁰James Bryce, op. cit., p. 340.

²¹James Bryce, op. cit., p. 340.

²²Henry Sidgwick, "A review of *Ecce Homo*, a survey of the Life and Works of Jesus Christ by an anonymous author and Henry Sidgwick: Lectures on Shakespearean themes in Henry Sidgwick: Miscellaneous Essays and Addresses (New York: Macmillan and Co., Ltd., 1904; Kraus Reprint Co., 1968).

²³Henry Sidgwick, Miscellaneous Essays and Addresses (New York: Macmillan and Co., Ltd., 1904; Kraus Reprint Co., 1968).

²⁴Henry Sidgwick, *ibid.*, p. 46.

²⁵C. D. Broad, Henry Sidgwick in C. D. Broad, Ethics and The History of Philosophy (London: Routledge and Kegan Paul, 1952), p. 68.

²⁶C. D. Broad, *ibid.*, p. 52.

²⁷Henry Sidgwick, A memoir by AS and EMS. Quoted in E. E. Constance Jones, "Henry Sidgwick," in Encyclopedia of Religion and Ethics, ed. John Hastings (New York: Charles Scribner & Sons, 1921), vol. 2, pp. 500-506.

²⁸Henry Sidgwick, A memoir by AS and EMS in E. E. Constance Jones, *ibid.*

²⁹William Frankena, Ethics (Englewood Cliffs, N.J.: Prentice-Hall, 1973), p. 2.

³⁰William Frankena, *ibid.*, p. 9.

³¹Henry Sidgwick, Outline of the History of Ethics (Boston: Beacon Press, 1960), p. 159.

³²Thomas A. Hobbes, "Leviathan," in The Classical Moralists, ed. Benjamin Rand (Cambridge, MA: Houghton Mifflin Co., 1909), pp. 213-218.

³³J. Kemp, "Ethical Naturalism" in New Studies in Ethics, ed. W. D. Hudson (New York: St. Martin's Press, 1974), vol. 1, p. 242.

³⁴Henry Sidgwick, Outline of the History of Ethics (Boston: Beacon Press, 1960), p. 171.

³⁵Quoted in Henry Sidgwick, *ibid.*, p. 201.

³⁶Quotes from Butler, Fifteen Sermons quoted in W. D. Hudson: "Ethical Intuitionism," in New Studies in Ethics, ed. W. D. Hudson (New York: St. Martin's Press, 1974), p. 259.

³⁷David Hume, A Treatise of Human Nature (Oxford: Clarendon Press, 1949), p. 491.

³⁸David Hume, A Treatise of Human Nature quoted in J. Kemp, "Ethical Naturalism," in New Studies in Ethics, ed. W. D. Hudson (New York: St. Martin's Press, 1974), vol. 1, p. 216.

³⁹J. Kemp, "Ethical Naturalism" in W. D. Hudson, *ibid.*, p. 219.

⁴⁰Quoted in Henry Sidgwick, Outline of the History of Ethics (Boston: Beacon Press, 1960), p. 217.

⁴¹T. D. Campbell, "Scientific explanation and ethical justification in The Moral Sentiments," in Essays on Adam Smith, eds. Skinner and Wilson (Oxford: Clarendon Press, 1975), p. 74.

⁴²T. D. Campbell, *ibid.* in Skinner and Wilson, p. 76.

⁴³Harrison, W., ed. Jeremy Bentham's Introduction to the Principles of Morals and Legislation with a Fragment on Government. Oxford: Oxford University Press, 1948.

⁴⁴Max Lerner, ed., Essential Works of John Stuart Mill (New York: Bantam Books, 1965), pp. 195-196.

⁴⁵Henry Sidgwick, Outline of the History of Ethics (Boston: Beacon Press, 1960), p. 246.

⁴⁶Henry Sidgwick, *ibid.*, p. 247.

⁴⁷C. D. Broad, Five Types of Ethical Theory (New York: The Humanities Press, Inc., 1950), p. 119.

⁴⁸T. W. Hutchison, A Review of Economic Doctrines (Oxford: The Clarendon Press, 1953), pp. 1-5.

⁴⁹Joseph Schumpeter, History of Economic Analysis (New York: Oxford University Press, 1954), p. 753.

⁵⁰Wesley C. Mitchell, Types of Economic Theory, Vol. I (New York: Augustus M. Kelley, 1967), pp. 562-563.

⁵¹Wesley C. Mitchell, *ibid.*, vol. 1, p. 566.

⁵²J. S. Mill, Principles of Political Economy, quoted in W. C. Mitchell, Types of Economic Theory, Vol. I (New York: Augustus M. Kelley, 1967), p. 567.

⁵³Joseph Schumpeter, *op. cit.*, p. 534.

⁵⁴Joseph Schumpeter, *op. cit.*, pp. 472-473.

⁵⁵Lionel Robbins, The Evolution of Modern Economic Theory (Chicago: Aldine Publishing Co., 1970), p. 13.

⁵⁶Mill distinguished between the nature of the supply and demand equations as equilibrium conditions and the ex post identity of quantities demanded and supplied. Reference: Joseph Schumpeter, *op. cit.*, p. 609, footnote 10. Also compare W. S. Jevons, *op. cit.*, p. 143, "His (J. S. Mill's) equation states that the quantity of a commodity given by A is equal to the quantity received by B. This seems at first sight to be a mere truism, for this equality must necessarily exist if any exchange takes place at all." Alfred Marshall in footnote of his Principles of Economics, p. 339, also suggests that Cairnes misunderstood Mill.

⁵⁷Henry Sidgwick, The Principles of Political Economy (London: Macmillan and Co., 1883), p. 5.

⁵⁸Stanley Jevons, The Theory of Political Economy (Harmondsworth: Penguin Books, 1970), p. 44.

⁵⁹H. Sidgwick, The Principles of Political Economy, p. 14.

⁶⁰H. Sidgwick, quoted in T. W. Hutchison, *op. cit.*, p. 51.

CHAPTER II. THE ETHICS OF HENRY SIDGWICK¹

Henry Sidgwick's conception of ethics is that of an area of study that is concerned with determining what "ought" to be, and with rational procedures to determine what individuals ought to do. The emphasis is on 'rational,' for Sidgwick thought that it is possible to derive what ought to be from a study of what is. Ethics is viewed empirically. The good, moreover, that is defined or rationalized must be a good realizable by human effort. The distinctive characteristic of an ethical problem lies in the fact that knowledge of what is right does not necessarily or even usually, lead to right action.

The purpose of the study of ethics, for Sidgwick, is an examination of the alternative ways in which the human mind seeks to regulate conduct and tries to harmonize these rules into a more or less harmonious system. The resulting synthesis even of moral philosophers has often been a forced one. This is at least partly because moralists have allowed their search for a scientific and detached ethic to be marred by their desire not to upset the existing moral order. They have obscured the issues between the known and the unknown or failed to ask the right questions, because the difficulties of providing an answer were apparent. Sidgwick's own task, as he sees it, is to expose alternative ethical systems to the scrutiny of a method which will establish their mutual relations and lay bare the conflicts they may imply for conduct at any given time. In doing so, he seeks to reveal the processes of thought which determine the adoption of first principles.

Sidgwick regards the connection between ethics and politics to be vital. The relationship arises from the fact that government may lay down laws and enforce them, and government may regulate the social relationships of men where appropriate only in harmony with morality. Generally also the law of the state determines the details of one's moral duty beyond the sphere of legal enforcement. For example, we think "we should give every man his own" even when the other party cannot legally enforce his right, but in deciding what is the other man's due, we tend to be guided by the law of the state. Moreover, ethics should determine the grounds and limits of obedience to government. It influences the concept of political duty.

The Nature of Moral Judgements

Sidgwick seeks to define the meaning of "ought," the nature and source of ethical judgements. Hume had contrasted the faculty to distinguish truth from falsehood with the motive to action which he regarded as nonrational desire. But Sidgwick contends that in the kind of actions involved in ethical judgements, the moral "ought" is distinct from our feelings and sentiments. There is of course a prudential "ought" which is often regarded as part of the moral "ought" but a clear distinction has to be made between judgements of duty, and judgements of "what is right" in view of the agents' private interest or happiness. The moral "ought" is moreover, not just an attribute of means, referring to the best means to obtain given ends. We do hold certain kinds of actions as right or wrong unconditionally, as we hold certain ends to be right. The moral "ought" is different from the legal "ought" as no punishment is

obviously involved in the infraction of a moral "ought." Sidgwick holds that the source of the moral ought lies in what he calls "reason," the faculty or "sense" of moral cognition. Admittedly, there is an element of circularity involved here--what is moral is what reason says is moral. And reason is the capacity to recognize what is moral. Sidgwick moreover believes that the cognition of what is right will act as a spur to act accordingly. It would perhaps clarify matters to suggest that Sidgwick sees the need for recognizing some end or ends such as the "general happiness or well-being differently understood" as ultimately reasonable and does so postulating the existence in men's consciousness of a "categorical imperative." Even if critics could not accept such a categorical imperative, they could not object to the existence of a "hypothetical imperative" which prescribes the fittest means to any end that we may have determined to aim at. Sidgwick himself believes in the "categorical imperative" as the end we can all agree upon.

Pleasure and desire

If psychological hedonism, that pleasure or pain to oneself is the actual ultimate end of one's action, is true, then obviously reason cannot prescribe otherwise than psychological nature dictates. But a person's pleasures and pains are not independent of moral judgements and psychological hedonism is different from egoistic hedonism in that a person's own greatest happiness or pleasure is for him the right ultimate end. Psychological hedonism, which states that men in actual fact always aim at their own happiness says how men in fact behave and is a psychological theory. Ethical hedonism, asserts that pleasantness and painfulness are

the only characteristics in virtue of which any state of affairs is intrinsically good or bad, and that nothing is ultimately worth aiming at but pleasure and the absence of pain. The ethical egoist regards it as self-evident that the individual ought to aim at a maximum balance of happiness for himself, even if necessary, by sacrificing other people's happiness in order to increase his own. Utilitarianism, to anticipate a little in order to clarify the present discussion, asserts that each individual ought to aim at the maximum balance of happiness for all sentient beings present and future, and that he even ought to be ready to sacrifice his own happiness provided he will thereby produce a net increase in the general happiness. Bentham asserted both psychological and ethical hedonism as well as utilitarianism. Critics have argued that psychological and ethical hedonism are inconsistent with one another and we shall see later that the desirability of promoting one's own happiness is not necessarily and not always compatible with the desirability of promoting the general happiness.

J. S. Mill qualified Bentham's psychological hedonism and pointed out that men do in fact often choose the lesser good deliberately. Since there is no logical way of inferring the ethical principle from the psychological, the ethical principle is regarded by Sidgwick as an ideal which is pointed to by the psychological principle.

This is because, the obtaining of pleasure or the prospect of pleasure from any course of conduct, may be dependent on its being regarded as right or otherwise. This at any rate is how Sidgwick views it. He holds it even true of persons whose moral sensibility is weak,

that their expectation of pleasure from an act may well be the necessary consequence of the judgement of their rightness.

Sidgwick distinguishes between pleasure--"the kind of feeling which stimulates the will to actions tending to maintain or produce it"--(and its contrary, pain) and that which stimulates us to act so as to obtain pleasure which he calls desire (with its contrary, aversion). Hobbes wrongly identified, according to Sidgwick 'pleasure' with 'desire.' Even J. S. Mill confused the two. Butler distinguished between self-love and the impulses to honor, power, the harm or good of another and held that the pursuit of pleasures involved desire for something other than pleasure, a view similar to that of Hume and Hutcheson. Sidgwick also asserts that the pleasures of pursuit are more important than the pleasures of attainment and the two are separable and distinct. However, for the pleasure of pursuit, a certain subordination of self-regard is essential. The fundamental paradox of hedonism is that you have to forget that you want pleasure out of something, in order to get pleasure from it.

Are benevolent affections stimulated by sympathetic pleasure or pain? Not to any considerable extent, answers Sidgwick. "Self-regarding" and "extra-regarding" impulses in us are distinct and separate. They alternate in us, with self-regarding impulses usually in dominance. The main point is that men do not normally desire pleasure alone but to an important degree other things such as virtue which do conflict with the desire for pleasure.

Free will versus determinism

The question is a complex one and important from a religious point of view because it helps to determine a person's duty and fix responsibility. However, from an ethical point of view as well, it is important for the theory of justice and the allotment of rewards and punishments. But for ethics, an empirical and not a theological approach is appropriate.

Sidgwick avers that an action or conduct of a person determined by causes antecedent or external to his condition does not make it any less rational. Rational action need not be free action. But if a person is free in acting rationally in the sense that the seductive appeals of appetite or passion are successfully resisted he cannot also be free in acting irrationally in the sense that he is governed by appetite or passion. Those who argue for free will refer to a person's acting irrationally as exercising his free will which is not correct. They do this to emphasize that man is free to choose between right and wrong (he is free to choose wrong) and is therefore responsible for the choice he makes.

For an action to be free, it must be voluntary and conscious and responsibility for foreseen results of choice must rest with the agent. Sidgwick puts the question of free-will versus determinism as follows:

"Is the self to which I refer my deliberate volitions a self of strictly determinate moral qualities, a definite character partly inherited, partly formed by my past actions and feelings, and by any physical influences it may have unconsciously received; so that my voluntary

action for good or evil, is at any moment completely caused by the determinate qualities of this character, together with my circumstances, or the external influences acting on me at the moment--including under this latter term my present bodily conditions? Or is there always a possibility of my choosing to act in the manner I now judge to be reasonable and right, whatever my previous actions and experiences may have been?"²

The arguments for determinism are strong. Impulsive actions are more or less determined. And it is difficult to separate "impulsive" from "conscious" actions. In our behavior, we assume other people's actions are at least partly determined, for this is the basis of our generalizations about their reactions. We assume a certain predictability. Even if our predictions go wrong we impute it to our lack of knowledge, rather than to their "free will." Even in the case of our own actions, they seem ex post to have been predictable in terms of our nature, education and circumstances. Additionally, the possibility of moral self-development depends upon the assumption that a present volition can determine to some extent our actions in the future.

But, it does seem as though in the moment of deliberate action, there is an immediate affirmation of consciousness. Normally, we seem to have choice, though later, the choice may turn out to have been illusory because my nature had predetermined that choice. But to take the latter perception alters the nature of my action. The idea of my "self" itself becomes different.

Thus the question is very complex. It is Sidgwick's view that the ethical importance of deciding between the above two conceptions may be exaggerated; and those who emphasize free will exaggerate more.

They do so because if it is not true that "I ought" means "I can," and if all actions are events in a chain of causation that goes back forever, the actor can have no merit or demerit. He cannot be praised or blamed; he cannot be rewarded or punished. Sidgwick, himself, while providing all the arguments for determinism, then, suggests that free will is supported by practical considerations. At the moment of choice between an alternative he judges to be right and that he regards as not right, the individual cannot doubt that he can choose the former. No matter if the supposed choice was not a real choice. It was predetermined all along. It would still be essential to act as if one had a choice, if we did not want to throw overboard common sense ideas of merit and demerit, praise and blame, remorse for wrong-doing.

The importance of free will to moral action may be separated from its importance to punishing and rewarding. The determinist grants that a man is morally bound only to do what is "in his power"--meaning thereby that "the result in question will be produced if the man chose to produce it." This sense is generally accepted. "What I ought to do I can do" is understood as "What I ought to do I can do if I choose," not "what I ought to do I can choose to do." The question "Can I choose to do what I think is right for me to do?" is answered by Sidgwick, "I can choose." To this extent he accepts the Free Will School, for to regard the choice as illusory will weaken the moral motive. But since it is

rare that a person will deliberately choose that which is unwise, the determinist argument is not very much weakened. The question then, from the point of view of the will, is not whether we can do what we choose to do, but whether we can choose our own choice, whether the choice was predetermined. Sidgwick seems to opt for a feeling of freedom as regards choice.

Ultimately, thus, Sidgwick, by and large, a determinist because the intellectual argument for determinism is so strong, submits to a free will position because he sees that it will otherwise do away with the notion of moral choice. This is indeed a major weakness in Sidgwick's discussion of determinism and free will, leading to such logical contradictions as of a determinist "choosing" only because we are looking forwards and not backwards.

It is Sidgwick's contention that unless the affirmation of free will or determinism modifies one's view of what it would be reasonable to do--and he believes that it does not--as regards the ultimate ends of rational action such as happiness or excellence, the controversy between free will and determinism is not relevant except in the limited sense noted above (weakening of the moral motive). The adoption of determinism will not, except under exceptional grounds or on the basis of theological assumptions, alter a person's view of what is right for him to do.

With regard to the effect of belief in free will or determinism on allotment of reward or punishment, the common notions of 'merit' or 'demerit' and 'responsibility' have rested on the idea of free will. But the determinist can also define responsibility for a harmful act and

decree punishment for it. What is harmful could for example be defined, as Sidgwick does, from a utilitarian point of view. Fear of punishment might then be a deterrent for harmful action in the future. A deterrent could harmonize the interests of justice with the need for benevolence. The desire to encourage good and discourage bad conduct would then replace the desire to "requite" the one or the other.

Apart from the free will-determinist controversy, the question of the power of will is an important one because the limits of the power of the will defines the range of ethical judgements. In answer, it seems that we can to some extent control our thoughts and feelings. To some extent resolutions as to future conduct, especially as they lead to changes in present conduct, do affect conduct in the future. But in practice, each resolve has only limited effect.

However satisfactory this kind of reconciliation of the determinist view with free will a century ago, we may no longer regard the controversy as being of quite such limited relevance. The full dimensions of the consequences of accepting a determinist view are expressed by Skinner: "Science has probably never demanded a more sweeping change in a traditional way of thinking about a subject, nor has there ever been a more important subject. In the traditional picture a person perceives the world around him, selects features to be perceived, discriminates among them, judges them good or bad, changes them to make them better (or if he is careless, worse), and may be held responsible for his action and justly rewarded or punished for its consequences. In the scientific picture a person is a member of a species shaped by evolutionary

contingencies of survival, displaying behavioral processes which bring him under the control of the environment in which he lives, and largely under the control of a social environment which he and millions of others like him have constructed and maintained during the evolution of a creature. The direction of the controlling relation is reversed; a person does not act upon the world; the world acts upon him."³

Skinner has described the unsettling consequences of "the wounded vanity" of man at the dethronement of something he calls "will power," his loss of faith or "nerve" at his freshly revealed powerlessness, etc. To accept "determinism" with all its implications would be shattering. It would transform the nature of law, the definition of "responsibility" in law and other views on justice and punishment. It would fundamentally alter the terms of our moral discourse: both with regard to our "actions" and our "situations." Our view of ourselves and others would have to change drastically. If the actions of people--whether they are highly motivated, bright, hardworking achievers who overcome all obstacles of the environment or defeatist, procrastinating, dull, failures who don't even dare to begin--are a result of a character rooted in their genetic makeup, upbringing during infancy, family environment in early years, for none of which they are responsible, then surely the lucky ones can take no credit except to thank their luck and the defeated ones carry no blame but curse their ill fate? One may even speculate whether if the poor are not to blame for their misfortune and the rich merely lucky, whether a planned scheme of readjusted rewards, positive

and negative, to compensate for the antecedent causes of poverty and riches, would not be in order.

This is not an argument in favor of determinism. When eminent scientists like Heisenberg and Eddington, on the one hand and Planck and Einstein on the other, take opposite sides on the issue of determinism versus indeterminism, it would be foolish to choose a side. The above brief exposition was rather intended to point out that Sidgwick's attempted reconciliation of the claims of determinism and free will would be highly controversial in the contemporary setting.

Definitions of Terms

Egoism is understood by Sidgwick mainly as a method equated to quantitative egoistic hedonism. It is a system which prescribes actions as means of the individual's happiness or pleasure. Pleasure is understood in its widest sense including all varieties of delight, enjoyment and satisfaction. The term quantitative signifies that different kinds of pleasure can be evaluated and compared in terms of a common property of pleasantness. Qualitative differences in pleasure may moreover, be resolved into quantitative.

Egoism as used by Hobbes means "self-preservation," at best a combination of pleasure and self-preservation. Spinoza, like Hobbes, identified the principle of rational action as egoism, which he defined as self-preservation. But the individual aims not at pleasure but at the mind's perfection, at what is sometimes also called "self-realization" or "self-development." Pleasure is an accompaniment of striving towards

perfection for Spinoza. But it is, says Sidgwick, inappropriate to regard egoism as self-development for it can mean, except where there is conflict between impulses, yielding to our impulses--high and low. Similarly, egoism in the sense of the 'good' of the individual ought to be avoided as 'good' may cover all possible views of the ultimate end of rational conduct. The object of self-love and the end of egoism is particularized by Sidgwick as "pleasure" in the Benthamite sense. "Happiness" is best used in this sense as "pleasure" including every species of delight, enjoyment or satisfaction. One might, as J. S. Mill does, take account of quality as well as quantity of pleasure. Sidgwick, like Bentham and Mill, holds that qualitative differences can be converted into quantitative differences. Thus "...the rational agent regards quantity of consequent pleasure and pain to himself as alone important in choosing between alternatives of action, and seeks always the greatest attainable surplus of pleasure over pain, which without violation of usage we may designate as his greatest happiness."⁴

Intuition is defined as a method in ethics which regards the conformity to certain rules or dictates of duty as unconditionally prescribed as the ultimate ends of moral actions. But the rightness of moral actions cannot entirely ignore the effects of actions to the extent they are foreseen. The dividing line between acts and their consequences is a difficult one to draw. Nevertheless, the intuitive method does maintain the existence of moral intuitions that are categorically imperative.

Contrary to most writers of the hedonist school, Sidgwick holds that the conduciveness to pleasure which is the criterion of moral action for the hedonist cannot itself be derived empirically as the ultimate basis for moral judgement. The ultimate principle of hedonism therefore rests on a moral intuition, very similar indeed to Shaftesbury's "moral sense."

There is a "first intuitional" method which postulates that particular judgements are best made by conscience. The conscience can and must dictate all particular actions. This method may be regarded as hostile to systematic morality because the dictates of conscience are not always clear and definite. They may be different for different people, even on the same problem at the same time. And so they must be subjected to general rules, which are sometimes derived by reason, sometimes dictated by an external authority; but in all cases the source of authority of these rules is intuition. This is the 'second' intuitional method which postulates that the general rules which ought to be obeyed can be discerned by most people with "really clear and finally valid intuition." The basis of this method is thus what Sidgwick calls "the morality of common sense." But even if one shares the general experience which has led to the moral precepts that constitute the rubric of this morality, and in general accepts it, one might want to probe further to find the apex of the system as it were in one or two fundamental principles from which all the rest of the rules may be more or less derived. This is the third kind of intuitionism. The three phases of intuitionism are christened by Sidgwick--perceptual, dogmatic and philosophical intuitionism.

Sometimes the moral ideal is presented as attractive rather than imperative. Virtue then is a good. The emphasis is on intrinsic goodness of moral action and character and not merely on goodness as a means to an end. The definition of good comprehends both 'good' as an end in itself and as a means to an end. One view of good is that it is a source of pleasure which leads to the question--what kind of pleasure is derived and has a right to be regarded as good? One has then to establish a general criterion which is in the nature of an ideal in order to measure the goodness of actual conduct. The criterion may or may not be related to "pleasantness." Estimates of goodness of conduct may not in general be taken as estimates of pleasure derived from it. "Good" as a noun does not mean 'pleasure' or 'happiness.' But taking into account the fact that the "objects of desire" can in general be identified with perceived consequences, i.e., 'apparent good' and that the desires have to be practicable, the good becomes the desirable which can be attained by voluntary action. Sidgwick agrees with Butler that such good is authoritative. If desires are in harmony with reason, it is rational to aim at good.

As for other 'good' things which are sought by men, they are sought only for the happiness they are expected to yield or the perfection of human existence.

Egoistic Hedonism as Ethical Method

Even though egoistic hedonism at first sight seems unsatisfactory from a moral point of view, most moral philosophers have held not only that it is a strong motive in people but also that an enlightened pursuit of individual happiness is proper and reasonable. The egoistic hedonists have gone further in asserting an empirical view of happiness--that pleasure and pain are measurable. This measurability is essential to the concept of greatest happiness. It is assumed that pleasures can be arranged on a scale as being greater or lesser. Defining 'pain' as negative pleasure, Sidgwick formulates the concept of a 'neutral state,' a 'hedonistic zero,' a state of indifference arising from a combination or bundle of positive and negative utilities that corresponds to zero utility. The normal state of persons is one of positive happiness.

Sidgwick rejects the Spencerian view that would measure utility by the stimulus to action of anticipated pleasure; Spencer viewed pleasures to be greater and less exactly in proportion as they stimulate the will to actions tending to sustain them. The term "motive power" was used to signify the degree of stimulus by a contemporary psychologist. There is a resemblance to the modern concept of "revealed preference." Pleasure is measured by how powerfully it stimulates to actions tending to sustain it--by purchase of the commodity in question in the context of an exchange economy. Sidgwick rejects the concept for the reason that exciting pleasures are apt to exercise a disproportionately large stimulus--a reason that makes "motive power" more exact than Sidgwick's own measure "desirability." But he returns to the concept of preferences

because he postulates that desirability is measured by "preferences."
But it is still a subjective concept.

He defines pleasure quantitatively as a feeling which is apprehended as desirable or "preferable." Sidgwick skirts the question as to whether what is pleasurable is desirable. He asserts "that the preference which pure hedonism regards as ultimately rational should be defined as the preference of feeling valued merely as feeling, according to the estimate implicitly or explicitly made by the sentient individual at the time of feeling it without any regard to the conditions and relations under which it arises."⁵ Thus, irrespective of the moral nature of the choice, happiness is regarded as expressed by preferences.

Essential to hedonism is the view that in the quantitative manner so defined, an individual can by "foresight and calculation" increase his pleasures and decrease his pains. Sidgwick is aware of the complexity involved in such probabilistic estimation but feels that by rejecting "manifestly imprudent conduct 'beforehand', and neglecting the less important contingencies" the calculation problem can be reduced to manageable limits. One objection to the above is that pleasures will not give the same amount of happiness if they are deliberately pursued. Also, to the extent that impulses that are exclusively directed to personal pleasures are given full rein without some balance with "extra-regarding" impulses, maximum happiness, which is the aim of self-love, is not attained. But experience does teach most persons to forget temporarily the ends as they engross themselves in the means.

Moreover there is very great possibility of diminishing pleasure, especially at its intensest, by the attempt to observe and estimate it.

There are other difficulties. In choosing between two or more courses of conduct, comparisons are made not of actual but foreseen states of happiness (of at least some of the alternatives) and therefore the possibility of error is great. It must be remembered that alternatives are compared quantitatively in terms of estimates of happiness. Moreover, even ruling out judgements on happiness of different persons (interpersonal utility comparisons) the same person's judgements of the comparative value of his pleasures at different times are not generally consistent. The mind is not a neutral medium for imagining different kinds of pleasures. It is organic and changing. As persons as well, we are changing as a result of new circumstances and influences. What is more important, we can change ourselves by training so that our susceptibilities are very different at varying periods of time. Obviously, the 'empirical-reflective' method as Sidgwick calls it, of subjective quantitative evaluation of pleasure, is not adequate.

Could it be replaced by an objective evaluation of pleasures provided by objects, according to the common experience of particular societies? The answer is in the negative. Common sense evaluations relate to so called "average" individuals and the divergences from the average may be considerable. Common sense is subject to "biases" of the tribe. It does not separate clearly enough moral from hedonistic considerations and the pronouncements of common sense are contradictory. Self-indulgent men pronounce on the virtues of abstinence. Wealthy men

are fond of waxing eloquent on the virtues of poverty and hard work. Men of status disclaim the importance of position for happiness. Powerful men complain of the headaches of power and so on. Most important of all, minorities who cannot be disregarded hold dissenting opinions on what constitutes happiness. In many cases common sense morality does provide a tolerably coherent set of judgements, which may be flouted, if necessary, only with good reason. But common sense morality should at best be regarded as providing indefinite general rules.

To what extent does the performance of duty conduce to happiness? That aspect of duty which is self-regarding tends to promote one's happiness. So the question should be answered with regard to social duty. The performance of social duties involves "sanctions" which Bentham defined as the pleasures following from conforming to moral rules and the pains of nonconformity. Sanctions are of two kinds--external and internal. External sanctions are in turn: 1) legal, arising from the penalties imposed by the sovereign and 2) social, arising from the approval or otherwise of public opinion. The internal sanctions of duty lie in the pleasure of doing right or freedom from remorse. If we look at how people act in the normal situation of peace and orderliness in societies, men will, if they can get away with doing wrong without being detected, do so. Even the social sanction is not so powerful as to ensure the observance of the law. In other words, external sanctions, legal and social, are not always sufficient to identify duty with self-interest, both in the sphere of law and in the area of moral duty not included in law. To some extent, the individual's duties coincides with

his social duties. We act in ways that impress other persons, ensure their trust in us. But we do so for the sake of appearances rather than out of a sense of duty. Society itself has a double standard--a stricter morality that is publicly avowed and a laxer code that is admitted to be the only practicable one.

Internal sanctions then must be the basis by which conduct prescribed by duty and rational self-love coincide. But this is not so. It is not often that doing one's duty produces happiness if one excludes the faith of the religious believer in the rewards of heaven when duty is done. As Butler put it, the interests of rational self-love and conscience are often divergent. We do sometimes, to some degree, subordinate rational self-love to conscience because there is a certain amount of pleasure in fulfilling the call of the moral sentiment. But this does not mean duty will prevail over self-interest. In the majority of people, the opposite happens a great deal of the time.

Herbert Spencer tried to build the structure of egoistic hedonism from a biological view of the sources of pleasure and pain. But the argument that what conduces to the welfare of the organism constitutes pleasure and vice versa does not take account of the nonpreservative aspects of the human system which are nevertheless sources of pleasure. Sidgwick therefore concludes with respect to his discussion of egoistic hedonism, "there is no scientific short cut to the ascertainment of the right means to the individual's happiness."⁶ Though the empirical method is at best an imperfect method, full of difficulties, it is the best we have.

Intuitionism as an Ethical Method

It is the general view that most people know what they ought to do in the light of foreseen consequences though they may not know certainly what will lead to their happiness when considering particular actions.

In determining rightness of actions, intentions in the light of all foreseen consequences of the action are primary. Motives, in the sense of what the agent desires, are secondary. Some intuitionists hold that the desire to act rightly for its own sake is also essential to moral action. But others have included some self-regard, if at least in the nature of desired effects, in right action. Locke, for example, held that moral rules are laws of God that we obey mainly from fear or hope of divine punishments and rewards. Butler went much further in regarding reasonable self-love as much as conscience "a chief or superior principle in the nature of man" so that in general an act should not violate the principle of self-love.

The question of moral rightness is not only one of objective rightness but also of belief in the agent that he is doing right. But in general it is not possible to take this distinction very far. It is important, however, that there is a criterion of rightness beyond one's personal conviction, such as is provided by Kant's categorical imperative. Sidgwick feels that Kant's categorical imperative is a necessary but not sufficient condition for rightness. All conscientious persons act in the belief that what is right for them is right for others as well. But they may all disagree as to what ought to be done in particular circumstances which leads to the situation of each person being

right because he believes so. Thus, assuming the existence of intuitions is different from asserting their validity. Intuitions may turn out to be wrong. Impulses deriving from other than moral intuitions are apt to be confused with the latter. Once the possibility of error of personal intuitions is admitted, ways of evaluating them such as by the morality of common sense or by yet other criteria where common sense is inadequate, are needed.

Before moving beyond the morality of common sense, it is necessary to examine what it has to say with regard to particular virtues.

Virtue and Duty

The first step in this detailed examination is the relationship between virtue and duty. In common usage duties are defined as "those right actions or abstinences, for the adequate establishment of which a moral impulse is conceived to be at least occasionally necessary."⁷ With regard to virtue, some actions such as generosity might under certain circumstances be objectively wrong because of unanticipated consequences. It would, therefore, be appropriate to restrict virtue to "qualities exhibited in right conduct." Obviously, virtuous conduct must be voluntary, and attainable by all ordinary people. But not all people can attain to the highest forms of certain types of action like courage or charity. Duty cannot involve performance of the latter type of action. Subject to this type of limitation, the demands of duty and virtue should coincide.

A virtuous act may be done from a sense of duty but not necessarily so. Emotions of love and aversion may be involved.

The conflict of impulses involved in realizing virtue is an important element in our evaluation of virtue though this does not mean that in the rare cases where virtue comes naturally, its worth is any less. As a matter of fact, realizing virtue is more difficult than doing one's duty when one knows it. And it is necessary to cultivate virtue and develop the capacity to act virtuously without deliberation.

Wisdom

Among the more important and comprehensive particular virtues is that of wisdom. The Greeks regarded it as the highest virtue, including in it intellectual excellence as well as practical wisdom. In intellectual terms, wisdom refers to the capacity to take a comprehensive view, attending to all aspects of a problem without bias and arriving at practical decisions. Practical wisdom refers to the ability to see in the conduct of life the best means to the achievement of ends decided by human motives, and the ability to judge in respect of ends as well as of means. In prescribing choice among ends, common sense opts for those ends that lead in turn to the ultimate end of right conduct. But there is an assumption of harmony among those ends which when it does not exist calls for a fresh approach.

Wisdom is a virtue because the apprehension of right involves control of violent passions and sensual appetites and demands some mastery over fear and desire. Wisdom involves self-control. Self-control is also important in moving from cognition of right to right action, overcoming the power of impulse.

Benevolence

Next in importance only to wisdom (but by some regarded as a supreme and overarching virtue, comprehending and summing up all others) is the virtue of benevolence. Benevolence may be defined as the moral obligation "to love all our fellow creatures," the will to do good to others. Common sense morality prescribes the obligation to do good to those in special relationships with us. The utilitarians and the intuitionists who both attach great importance to benevolence look to different sources for the nature and extent of the obligation--the one in terms of what conduces to the general happiness and the other in terms of self-evident truths.

Benevolence is to be distinguished from justice. Benevolence is thought to begin where justice ends. But to the extent that benevolence is regarded as enjoined by moral considerations, the dividing line between benevolence and justice is blurred. Justice can be claimed as a right whereas benevolence is not generally compelled. However, the distinction is not so clear cut, as the claims on benevolence are often made in terms of 'rights' of the recipient. The notion of justice comes to be applicable also in the realm of benevolence.

Sidgwick's discussion of benevolence is restricted to relations of affection between persons, where there may be said to be duties established beyond the obligations set by law or contract.

Common sense morality usually regards as a virtue that character which renders positive services to fellow human beings and promotes their well-being. It regards highly the members of society who promote the

welfare of the community. But the opinion of common sense is more ambiguous with regard to whether concern for and help to the family, friends and neighbors are to be regarded as moral excellences. There is general agreement about the minimal obligations of parents towards children and vice versa and of the need for gratitude on the part of recipients for help rendered in times of need, etc. But when these obligations are sought to be made more precise, there is considerable divergence. For example, whereas in the case of marriage, common sense lays down principles such as monogamy, permanence at least in design, and prohibitions of marriages within certain limits set by consanguinity, it is not clear that they are self-evident. Even in cases of special need, the obligations of common humanity are not so clear cut. The question of how much one's help--except in situations of dire emergencies--will interfere with the inflictions of penalty in the interests of social order or with the incentives to work and thrift, necessitate analysis of the economic consequences of aid to the needy which takes us far away from any given intuitions.

Justice

Justice is among the most difficult concepts to define. Sidgwick's discussion of justice from the intuitional and utilitarian points of view is among the most important of his contributions to practical policy.

The concept of justice is related to law but justice does not mean merely conformity to law. Law, as it exists, does not fully realize justice. Justice is the standard by which law is judged and there is a part of just conduct which lies outside the sphere of law.

Laws that seek to realize justice are "laws which distribute and allot to individuals either objects of desire or liberties and privileges or burdens and restraints, or even pains as such."⁸ In practice, the above distribution ought to realize justice but does not.

Just laws must be equal. All laws ought to affect all persons equally. By the principle of equal treatment or nondiscriminatory application of law, a certain type of injustice is excluded. But excluding unequal treatment does not preclude injustice. Justice as a matter of fact may call for special types of inequality. But preventing arbitrary unequal treatment prevents a type of injustice. The question then is what kind of inequality is admitted by justice.

It is interesting to look at the notion of justice as applied to private conduct that lies beyond the sphere of the law. Here justice involves impartiality on the part of a person with regard to claims on him which he regards as valid whether or not they are embodied in written contracts. But the concept fails when it comes to claims which are in the nature of expectations if they have arisen reasonably out of existing relationships. But it is important to estimate or meet these claims with exactness. Common sense morality has no general criterion. There are no clear intuitive principles of guidance.

As in the case of private conduct, so in the realm of law, changes in the law might hurt those who expected it to continue unchanged, who then expect to be compensated, or changes in the social system give rise to expectations and there is no way of meeting them. This is the heart of the problem of political justice. Sidgwick puts it very well:

"...from one point of view, we are disposed to think that the customary distribution of rights, goods and privileges as well as burdens and pains, is natural and just; and this ought to be maintained by law, as it usually is; while, from another point of view, we seem to recognize an ideal system of rules which ought to exist, but perhaps have never yet existed, and we consider laws to be just in proportion as they conform to this idea."⁹

Ideal justice

One answer given to the question of an ideally just distribution of rights and privileges, burdens and pains was that natural rights were to be given to all and that law should embody these rights and protect them. But common sense morality had no agreed view of what these natural rights were.

Freedom as Ideal Justice

One way in which the question of natural rights was answered was that they could all be coalesced into the one principle of freedom. Freedom from interference is the whole of what individuals apart from contracts, owe to each other. The sole aim of law is the protection of this freedom (including enforcement of free contract). The establishment of freedom becomes then the realization of justice.

Sidgwick argues forcefully against this view. Firstly, if it is conceded that the principle that no one should be coerced for his good alone is not of universal application, for example, where people are not regarded as sufficiently intelligent for their own good, and exceptions

to noninterference are allowed for, the principle becomes a particular case of the wider one of aiming at general happiness. Secondly, in determining the extent to which persons may be prohibited from interfering with one another, one evil is balanced against another. Whereas, on the basis of a utilitarian criterion, the justification for restriction of freedom would have to come from demonstrating the prevention of a greater evil. Thirdly, the right of enforcing contracts is not inherent to the idea of realizing freedom and the right of limiting freedom to enforce contracts has itself to be limited to cases of permissible contracts. Fourthly, if from the personal realm, we extend the view of freedom to the area of economic life, the only legitimate freedom that one person can have is his right to the things he can use but not the right by virtue of 'prior acquisition' to deny forever to all others the right to use them for all time. By 'prior acquisition,' Sidgwick means the right to property acquired historically by the first settlers, however they did so. Sidgwick also disputes whether the right of property, acquired by initial acquisition, includes the right of the disposal of one's possession after death. "...it is paradoxical to say that we interfere with a man's freedom of action by anything we may do after his death to what he owned during life."^{10,11} Finally, and most importantly, in a society where the means of gratification (resources) are denied by virtue of prior appropriation by some, to all others, freedom is unequally distributed. It is true that under a system of free contract a person can sell his services in exchange for wages but the truth is that 1) he can often get only insufficient subsistence from doing so and

2) he may not be able to sell his services at all. In any case, the above is not a proof that society has not interfered with the freedom of its poorer members but only that it compensates them for such interference.

An equal distribution of freedom, even if it existed, would not be equivalent to ideal justice which would require not only freedom but all other benefits to be distributed justly, i.e. without arbitrary inequality.

Justice is defined by Sidgwick as the principle that men ought to be rewarded in proportion to their deserts. This would be the general basis of distribution except where modifications are called for by contract or custom. On the basis of this principle, the principle of freedom can indeed be derived, though in a less absolutist sense, that the best way of requiting desert is to let men freely work for their reward. The principle of property would also be legitimized, though in a more limited way, on the basis that to the extent that property acquired corresponds to effort expended in discovering it, it is proper.

Sidgwick bases the principle of reward for work, requital for desert, on the worth of services, equitably determined or the "just price" of labor. He rejects the notion of just as customary.¹² With respect to market price, he thinks that deviations from a competitive price occur in many cases due to ignorance on the part of buyers and sellers, and the existence of monopoly. In particular, in the case of workers, Sidgwick thinks that their relative weak bargaining position as a class leads to a wage that deviates from their 'desert' as

determined by a competitive market. Sidgwick, of course, assumes as perhaps he could do in his time but we may not in ours, that the "requital for desert" was an expression of justice. But obviously, if the worker is in no way responsible for his status, education, upbringing, skill, motivation and even performance, remuneration by the last criterion alone is not just.

The socialist ideal of paying labor according to some measure of the intrinsic value of their labor, faces inordinate difficulties of application. The notion of justice as defined by Sidgwick is unable, he admits, to comprehend these difficulties. And he postulates the concept of the demand price of labor--"what reward can procure them" (the services of labor) and "whether the rest of society gain by services more than equivalent reward." Sidgwick concludes that an ideally just social order is not realizable. The general fairness of distribution has to be left to bargaining.

The uncertainties and anomalies of criminal justice are just as great. It is not easy to proportion punishment to the gravity of the crime, where this is felt to be the just thing to do. Motives of crime, when they are good, are not taken into account. There is no clear basis on which to establish the gravity of crimes.

Sidgwick examines in great detail the pronouncements of common sense on other principles of conduct such as obedience to laws, keeping promises, veracity, etc. They are subject to the criteria of 1) clarity and precision, 2) the self-evidence of the proposition--more important in ethics because of the tendency in human conduct to pronounce as

desirable what we desire and the difficulty of distinguishing between known principles and external rules which become internalized to the point of being regarded as moral intuitions of rightness, 3) the consistency of propositions accepted as self-evident and 4) general consent or universality. In all cases from wisdom, benevolence and justice to the less important virtues, the maxims do not fulfill the above criteria especially as the generalities of these principles are sought to be converted into valid judgements of conduct. Common sense cannot decide in many concrete cases between alternatives. We are compelled to go beyond intuition and common sense to some other criterion such as general happiness. It is necessary to emphasize that Sidgwick does not deny that we are endowed with distinct moral impulses that prescribe and prohibit and that in general, there is agreement among people about these principles. He agrees that in the ordinary course of things, common sense does give adequate moral guidance. But he suggests that the attempt to raise these principles into intuitionally known absolutes fails in the absence of other criteria.

Motives

Some moralists hold that desires and affections rather than actions are the proper subjects of ethical judgement. The intuitional view with regard to motives defined as "desires of particular results, believed to be attainable as consequences of our voluntary acts, by which desires we are stimulated to will those acts" is that there is a natural way, prescribed by our intuitive knowledge by which motives may be scaled as higher and lower.

There is only one bad motive, the desire to inflict pain on others, though even in this case, there may be extenuating factors such as righteous indignation prompting malevolence. Other motives may be merely "seductive" in prompting to forbidden conduct. The moral judgement of motives, however, is as difficult as the judgement of acts in which they result. Ranking them involves additional difficulties. The difficulty is compounded if the motives of the moral sentiments are included because having decided that the impulse to one of these sentiments is better than to some other, we have still to decide what the action implied by the moral sentiment involves. The question is of the consequences to which particular sentiments lead--for example, do they lead to individual happiness or general happiness. Hutcheson held that those impulses which involved universal good will to all were superior to sentiments such as veracity and fortitude. Hutcheson's view is indistinguishable from utilitarianism. Therefore, one gets polar opposites between the Kantian view that all actions not done from the right motive (for duty or to do right) are wrong and the Hutcheson view that those motives that lead to general happiness are the best. There is a similar divergence of conviction among moralists with regard to self-love, Kant and Butler standing at the two extremes.

Apart from such divergences, there may be a kind of minimal agreement that benevolent affections and intellectual desires are superior to bodily appetites or that "extra-regarding" impulses are better than impulses that aim only at individual well-being. Beyond these generalities when an attempt is made to concretize the hierarchy of particular

impulses arranged in order of their merit, the differences among moralists are very great. Intuition is not much help. The complexity of motives add to the perplexity of the problem.

The view of common sense morality is that every natural affection has its appropriate sphere within which it should be normally operative. The question of whether a higher motive should be substituted for a lower one cannot be answered except in the context of the particular conditions and circumstances of the conflict between the two motives. Also, as the character of a person becomes better, the sphere of operation of the higher--to the extent we can speak of one--becomes greater. The substitution of higher for lower--to the extent such gradation is possible and relevant--is also contextual, and possibilities of substitution without danger limited by the state of development of the moral agent. The moral agent and the motives upon which he acts constitute a system and the merit of any particular system cannot be judged except in the context of ends also regarded as parts of the total system.

Philosophical Intuitionism

The moral philosopher's task is to generalize from common sense, go beyond it, and enunciate the primary intuitions of reason. Sidgwick believes that there are such general principles, universal in scope, which however, are abstract in nature. These principles are in particular cases not much help and particular duties have therefore to be determined by some other method.

These general principles are as follows:

1. Whatever action any of us judges as right for ourselves, we judge to be right for all similar persons in similar circumstances.

2. Whatever we judge fit to be done to us, we judge as appropriate to be done to all other persons in similar circumstances. The essence of these principles is the familiar maxim: Do unto others as you would have them do unto you. It is possible however that one might wish for cooperation in sin and be willing to reciprocate it. Also circumstances may be different so that what is appropriate for A to do to B may not be appropriate for B to do to A. The principle has accordingly to be modified to allow for difference in circumstances. An application of this principle is in the administration of justice: The principle of impartiality or fairness. However, impartiality in justice is a clear criterion only if the rules to be judged are unambiguous.

3. The principle of fairness may be extended to "one's good on the whole"--"an impartial concern for all aspects of one's life," a concern for the future as much as the present, allowance being made for uncertainty.

4. Moreover, just as the above principle regards the good of an individual through his entire life, the good of all individuals may be considered together in the notion of universal good, which yields the axiom that the good of any one individual is of no more importance, from the point of view of the universe, than the good of any other, unless there are special reasons to believe that more good is likely to be realized in the one case than in the other.

5. The principle of benevolence can now be inferred--that each person is bound to regard the good of any other individual as much as

his own, except if on an impartial view, the latter is less or less certainly knowable or attainable by him.

Thus in the principles of justice, prudence and rational benevolence there is an axiomatic element, cognizable by abstract intuition.

The apprehension of these truths is what makes the fundamental rules of morality reasonable. Sidgwick denies that maxims like "I ought to speak the truth" are self-evident like the above propositions. Sidgwick also interprets intuitionists like Clarke as postulating the fundamental intuitions of equity and benevolence. He concedes that Kant's ethical theory may not fully justify the self-evidence of the above propositions. He gives a restricted interpretation of Kant's proposition that each man as a rational agent is bound to aim at the happiness of other men as justifying the intuitive truth of benevolence. (Kant, however, denies the validity on intuitional grounds of self-love in so far as it conflicts with general happiness.)

Sidgwick feels he has demonstrated that the intuitional schools lead to the same principles of prudence implied in rational egoism, justice, and rational benevolence as in the utilitarian system, though utilitarians like J. S. Mill had not taken advantage of the results of philosophical intuitionism. We have noted in the introductory chapter that Mill's "proof" of utilitarianism is inadequate, if not wrong. When he states that general happiness is desirable, he means that an individual ought to desire general happiness. Each person in an aggregate desiring his own happiness does not, however, connote each person in the aggregate desiring other people's happiness. Therefore the principle

that general happiness ought to be desired by each individual has to be established via the philosophical intuitionist route.

But is general happiness also the universal good? This is by no means self-evident. One cannot deduce as J. S. Mill did that because men desire their own happiness, therefore happiness is desirable or good. We saw in the discussion of "good" earlier how Sidgwick, by defining ultimate good as desirable consciousness demonstrates that good is the same thing as general happiness.

Utilitarianism

By utilitarianism, Sidgwick means universalistic hedonism--"the ethical theory, that the conduct which under any given circumstances, is objectively right, is that which will produce the greatest amount of happiness on the whole, that is taking into account all those whose happiness is affected by the conduct."¹³ Utilitarianism is a combination of two principles: 1) the consequentialist principle that the rightness or wrongness, of an action is determined by the goodness, or badness of the results that flow from its end and 2) the hedonist principle that the only thing that is good in itself is pleasure and the only thing bad in itself is pain. The utilitarians have generally assumed that happiness is a sum of pleasures.

The fact that the ultimate standard is universal happiness does not mean that universal benevolence is the only right or always best motive of action. Other motives than universal philanthropy, if more satisfactory in the attainment of the goal, may be preferred. As we have noted

previously, happiness is commensurable but only imperfectly, The interests of posterity are as important as the interests of the present, subject to the fact of uncertainty about the future. On the whole, an individual human being enjoys through life net positive happiness. It is important for the utilitarian criterion of right conduct to estimate for different alternative distributions of the same happiness in order to consider which is preferable. To know the latter, the principle of justice or right distribution of happiness has to be added to that of greatest happiness. Sidgwick's principle of justice is equality, but as he makes clear in a footnote, equal distribution of happiness and not equal distribution of the means of happiness.

One of the more striking aspects of Sidgwick's discussion of utilitarianism is his demonstration that utilitarianism corresponds to and coincides with the morality of common sense and solves the difficulties and anomalies produced by the practical applications of the latter.

Arguing for the correspondence between utility and common sense, Shaftesbury had already shown that the moral sense is in harmony with the balance of affections that tended to the good or happiness of the whole. David Hume had gone even further in pointing out that the perception of utility was the source of all moral likings and aversions. Adam Smith had emphasized the objective coincidence of rightness and utility. Sidgwick recognizes that there are many voluntary actions, that, while not being virtuous, are certainly more useful than virtues. Common sense morality is therefore based on imperfect utilitarianism.

Utilitarianism resolves many of the difficulties that a merely intuitive view of common sense morality produces. For example, utilitarianism resolves the problems in the relationship between moral excellence and moral effort. Certain acts are done happily without any effort and naturally, without regard to duty. Certain acts done for the sake of duty achieve the triumph of duty over momentary inclination, promoting happiness in both cases. The problem of choice between the two is also eliminated. A utilitarian would decide on the basis of the consequences of the acts.

Sidgwick subjects all the virtues such as wisdom, benevolence, justice, etc. to the criterion of utility when common sense morality is not clear and comes up with the conclusion that the "felicific" calculus does indeed rationalize and complete common sense.

Wisdom and general happiness are not so directly related. Wisdom's significance is not directly utilitarian but utilitarianism does not contradict wisdom.

The difficulty with regard to benevolence, that it implies the disposition to promote the good rather than the happiness of individuals, is overcome by the fact that the virtue that good means does tend to promote one's own or other people's happiness. A second difficulty is that utilitarianism goes beyond the standard of duty in prescribing that the moral agent consider other people's happiness as equally important to his. But in fact, since an individual is regarded as knowing the means to his own happiness better than other people's, the practical emphasis is on the pursuit of one's own happiness primarily. Moreover,

self-interest is the major engine of effort. To reduce the stimulus of self-interest would reduce happiness considerably. So that, according to utilitarianism, the individual will in fact concern himself and should concern himself with other people's happiness only secondarily to his own. In practice, the concern for other people extends only to a few other persons, but suppression of the affections for the few because these affections are not broader will only destroy the basis of existing affections. Therefore, both on theoretical and practical grounds, the benevolent impulses are limited in their application.

Sidgwick's setting up of a hierarchy of importance of happiness from one's own to those close to one, to more distant people, is not entirely satisfactory. Beyond one's own family and friends and neighbors, how does one set up a hierarchy? Moreover, there is a logical difficulty. Either the two principles of pursuit of one's own happiness and the pursuit of the general happiness are consistent with the prescriptions of intuition and reason, or one of them at least, must be false.

The utilitarian view of justice also leads to a more concrete view of justice. As we have seen in the introductory chapter, for David Hume, justice meant "order" in the widest sense of the term, "the observance of the actual system of rules, whether strictly legal or customary, which bind together the different members of any society into an organic whole, checking malevolent or otherwise injurious impulses, distributing the different objects of men's clashing desires, and exacting such positive services, customary or contractual, as are commonly recognized as matters of debt."¹⁴ The assertion that order or law observance conduces to

social happiness needs no proof. The limits of obedience to law are also set by utilitarian considerations. The problem of the source of legitimacy of the political sovereign is also resolved by examining the effects rather than the causes of governmental power. The argument between different forms of government and laws may be better dealt with by bringing in utilitarian considerations.

Utilitarianism supports equality of treatment under the law and simultaneously defends inequality to the extent that freedom of action is a source of happiness to the individual person and conduces towards socially useful actions. The sanctity of contract, whether embodied in actual agreements, or in legitimate expectation can be defended on utilitarian grounds, on the basis of the respective harm or gain to individuals and to society. Exceptions to the rule of good faith can be similarly defended or opposed on utilitarian grounds. Justice is thus subordinate to considerations of social utility, not absolute as in the intuitional case which creates many problems in application.

It is also possible to comment from a utilitarian point of view on the concept of ideal justice which is used by the proponents of absolute freedom and socialism. The utilitarian rationale for freedom is that each person is best qualified to provide for his own interests and that he pursues these latter more effectively in freedom. At the same time, the limitations on absolute freedom are such as are required on the utilitarian principle.

Ideal justice requires the exclusion of arbitrary inequality in the distribution not only of freedom but of all other burdens and benefits.

On the modification of the system of expectations and rewards produced by the market system in order to realize ideal justice, the practical consideration when there is a conflict of utilities involved will be one set of advantages against another reckoned in terms of happiness.

The importance of utilitarianism as the ultimate standard of individual moral conduct and social policy thus established, the method of utilitarianism may then be defined as empirical hedonism. The discussion of the role of common sense morality, with its inadequacies in concrete situations and its need for a criterion such as universalistic hedonism leads to the conclusion that the rules of common sense morality actually constitute the middle axioms of the utilitarian method. The rules of utilitarianism are required only to settle the questions where common sense is uncertain but they are essential because the rules of common sense are inadequate.

Can utilitarianism in fact deduce general rules that are valid for concrete situations and applicable to the variety of human beings and societies that constitute mankind? Sidgwick is much more of a moral conservative than Bentham or Mill. He does not believe in a clean sweep of existing moral convictions. Therefore his answer is, there cannot be a newly constructed code devised that can then be presented for the acceptance of all men. For men live in societies that already have moral codes which have a certain measure of general acceptance. They live in societies that are constantly changing, requiring corresponding changes in moral sentiments and rules. Therefore, in devising the rules of morality for an existing society, we have to start with the existing

social order and the morality that is part of that order and examine the question how the society may be modified, to the extent feasible, given the initial conditions. The utilitarian rules should take into account the effects on the society of the attempt to modify it on a utilitarian basis. Thus utopian attempts at reconstruction have to be ruled out and only gradual modifications, small changes from the existing code of moral rules, attempted. The utilitarian should take an attitude of reverence towards the existing moral code. It is imperfect admittedly; therefore, the utilitarian is obligated to improve it. The only method to ascertain what practical modifications in existing morality to work towards, would be that of empirical hedonism. This amounts to a consideration, however imperfectly, of the total quantities of pain and pleasure that may be expected to result from continuing the existing rule and from attempting to change that rule.

Chapter IV examines the inadequacies of the utilitarian view both as an operational guide to individual conduct and social policy and the major attacks mounted on the utilitarianism of Sidgwick by modern philosophers and theorists such as Hayek, Nozick and Rawls. But it must be said at this point that the claims made by Sidgwick for his modified utilitarianism are exaggerated. The literature on the social welfare function is ample testimony to the difficulties of quantifying the concept of "the greatest happiness of the greatest number." The prescriptions of utilitarianism are often ambiguous and always involve exceptions to rules of thumb. The considerable literature of the fifties and sixties developing "rule-utilitarianism" arose precisely from this inability

of act-utilitarianism to specify the required course of action unambiguously. The issue is therefore of how one may supplement the large amount of usual guidance that moral thought of a utilitarian character provides by other principles.

Footnotes

¹The chapter is based entirely on H. Sidgwick, Methods of Ethics (New York: Macmillan and Co., 1907).

²H. Sidgwick, Methods of Ethics (London: Macmillan and Co., 1907), pp. 61-62.

³B. F. Skinner, Beyond Freedom and Dignity (New York: Bantam/Vintage Books, 1972).

⁴H. Sidgwick, op. cit., p. 95.

⁵H. Sidgwick, op. cit., p. 129.

⁶H. Sidgwick, op. cit., p. 195.

⁷H. Sidgwick, op. cit., p. 217.

⁸H. Sidgwick, op. cit., pp. 265-266.

⁹H. Sidgwick, op. cit., p. 273.

¹⁰H. Sidgwick, op. cit., p. 411.

¹¹Sidgwick takes a more radical position than John Stuart Mill. Compare: "Nothing is implied in property but the right of each to his (or her) own faculties, to what he can produce by them, and to whatever he can get for them in a fair market: together with his right to give this to any other person if he chooses, and the right of that other to receive and enjoy it. It follows, therefore, that although the right of bequest, or gift after death, forms part of the idea of private property, the right of inheritance, as distinguished from bequest, does not." J. S. Mill, Principles of Political Economy (New York: The Colonial Press, 1900), vol. 2, pp. 215-216.

¹²In terms of the final conclusion regarding requital for desert, compare J. B. Clark "...where natural laws have their way, the share of income that attaches to any productive function is gauged by the actual product of it. In other words, free competition tends to give labor what labor creates, to capitalists what capital creates, and to entrepreneurs what the coordinating function creates." J. B. Clark, The Distribution of Wealth (New York: The Macmillan Co., 1920), p. 3. J. B. Clark

establishes the above on "positive" grounds. Sidgwick argues that the conclusion is defensible on moral grounds.

¹³H. Sidgwick, op. cit., p. 411.

¹⁴H. Sidgwick, op. cit., p. 440.

CHAPTER III. THE ECONOMICS OF HENRY SIDGWICK

Introduction

The Principles of Political Economy (1883) of Henry Sidgwick stands in the transitional phase between the classical economics of Adam Smith, David Ricardo and J. S. Mill and the neoclassical revolution in economics heralded by W. S. Jevons' The Theory of Political Economy (1871) and culminating in Alfred Marshall's Principles of Economics (1890). Its central concerns, which it shares with the latter, are method, the theory of exchange and distribution regarded as aspects of a general theory of value, and a separation of the scientific or analytical aspects of economics from policy aspects which involve political as well as economic considerations. Economics underwent a major shift of emphasis between Adam Smith and J. S. Mill who were greatly concerned with the growth of national income (wealth) and Alfred Marshall who turned the primary attention of economic theory to problems of resource allocation. Sidgwick stands intermediate between the classical economists and Marshall in this shift of emphasis.

Henry Sidgwick made distinctive contributions to the theory of governmental intervention in the economy by emphasizing the failures of the competitive system in cases where public goods, externalities and provision for the future were involved. His attempt to synthesize what he regarded as the essential need to promote greater equality by government policy with the necessity to maintain economic efficiency unimpaired, provides the starting point for the modern discussion of social justice.

His theory of property which combines moral, political and economic considerations, is of considerable relevance for economic policy as well.

In reducing to proper proportions the dimensions of the attack on the classical political economy of Ricardo and Mill by the historicists led by Cliff Leslie and by the theoretical contributions of Jevons, Sidgwick prepared the way for the new consensus of economic theory that evolved around Marshall's Principles. In delineating the creative continuity of economic thought since Adam Smith, not excluding Jevons' signal contributions, Sidgwick was a precursor of Alfred Marshall.

For example, due to preoccupation with method that was characteristic of economics in the sixties and seventies, Sidgwick started by defending the place of deductive reasoning in economics. He argued that it (deductive reasoning) should not be judged in terms of Ricardo's use of it. Ricardo was not faultless, states Sidgwick, but Ricardo's doctrines, stated with proper qualifications and reservations "ought to find a place in any complete exposition of economic theory."¹ He goes on to show that Mill supplemented Ricardo in giving due place to the operation of supply and demand in the determination of market price. In his own treatment of demand, Sidgwick explains the law of demand in terms of Jevons' concept of 'final utility.' The integration of classical political economy with the emerging concept of the 'margin' is similar to and preceded Marshall's attempt to establish Ricardo's substantial correctness and the injustice of Jevons' attack on Ricardo and Mill.²

Scope of Political Economy

Sidgwick was greatly concerned that political economy as it had developed since Adam Smith's time had served to defend the established order and thus roused the antagonism of the leaders of workers. Though Sidgwick defended the classical economists as advocates of the system of natural liberty, he avers that they did so "sadly rather than triumphantly." Nevertheless, he admits that:

It remains true that English political economy has been an advocate of laissez-faire not only in regard to foreign trade but also in regard to wages. They have opposed all attempts either by law or public opinion to introduce a different distribution of wealth. They have not gone the length of maintaining that distribution by free competition is perfectly just, as proportioning reward to service but have maintained that it is the best mode of dividing the produce of the organized labor of human beings."³

He therefore regarded it as essential that the investigation of 'what is' (laws that determine actual prices, wages and profits) should be separate from a consideration of what 'ought to be' (what is desirable regarding wages and profits).

By economics as an art, Adam Smith meant the end of making national wealth as great as possible.⁴ But Sidgwick felt that usage justified including also the art of distribution of which the aim is "to apportion the produce among the members of the community so that the greatest amount of utility or satisfaction may be derived from it."⁵ This would take economics beyond the area of exact measurement, but according to Sidgwick, the exactness of economics as compared with the exactness of other political estimates was overrated.⁶

At the heart of the problem of economics as an art, said Sidgwick is the question: Should distribution be on the principle of "economy" so as to obtain the greatest utility or on the principle of justice or equity? It is essential to see how far the application of the latter would coincide with and diverge from the pursuit of the economic ideal. He thus regarded political economy as the study of government policy for improvement of national production and for mitigating inequalities in distribution of produce.

While political economy as an art had since Adam Smith been a defender of laissez faire, since Ricardo's time and certainly since J. S. Mill's time, defense of the idea of the minimum interference of government in the distribution of wealth resulting from free competition has not been on the ground that the inequalities are satisfactory but that "any such interference must tend to impair aggregate production more than it could increase the utility of the produce by a better distribution."^{7,8} Sidgwick's conclusion was that political economy had to be regarded both as science and as art but that the latter aspect had to be kept distinct from the former.⁹

Marshall too was concerned that economics should not be used to defend property or exclusive class privileges but he held that the "founders of modern economics were men of gentle and sympathetic temper, touched with the enthusiasm of humanity. They cared little for wealth for themselves; they cared much for its wide diffusion among the masses of people."¹⁰ The errors of classical economics were rather used by ignorant pamphleteers like Miss Martineau, a prolific writer of

anti-factory legislation tracts. People like Senior who had opposed factory legislation had done so when they had little knowledge of economics (Senior, according to Marshall, later recanted and McCulloch had not opposed factory legislation).¹¹ Marshall was eloquent in defense of economists who, he asserted,

...supported the movement against the class legislation which denied to trade unions privileges that were open to associations of employers, or they worked for a remedy against the poison which the old Poor Law was instilling into the homes of the agricultural¹² and other laborers; or they supported the factory acts....

Sidgwick held that economists had indeed defended laissez-faire not only in treating of production but of distribution. Even when they had not gone to the length of maintaining that distribution by free competition was just, as proportioning reward to service, they had maintained that it was the best mode of dividing the produce of labor, from a practical point of view. They had, in defending the doctrine of noninterference aligned themselves with those men of policy who stood opposed to any attempt to restrain or modify the action of free competition in the interests of reducing the worst forms of deprivation or injustice. They had elevated the "scientific" ideal of perfectly free competition into a "practical" ideal. Thus, Marshall disagreed with Sidgwick about the actual role of economists in concrete policy matters in the 19th century. It is perhaps such different perceptions of the uses or misuses of the conclusions of classical political economy in policy debates that led Marshall to regard economics as "a science, pure and applied, rather than a science and an art."¹³ Humanitarian though he was, Marshall did not share Sidgwick's passionate concern for greater equality. At any

rate he (Marshall) anticipated that economic progress would look after the problem of inequality and poverty.

There is thus a fundamental difference of view between Sidgwick and Marshall as to the scope of political economy which led Marshall to regard "economics" as a better term to describe the area of study and Sidgwick to emphasize the paradox among British economists (Smith, Mill and McCulloch) that whereas they regarded the study of production as having a practical aim, increase of material abundance, they regarded distribution as something that hardly admitted of any improvement. Sidgwick as a matter of fact is of the opinion that in the theory of production the relation between 'what is' and 'what ought to be' is much closer than in that of distribution. It is impossible to consider distribution as it ought to be without entering into the most fundamental controversies as to the ultimate basis and end of political union whereas in production the obvious and uncontroverted aim of all rational effort is to produce as much as possible in proportion to the cost. It is therefore equally important to separate the sphere of science and art in production, as in distribution. But since government in a laissez faire state, affects industry and trade through laws of inheritance, bankruptcy laws, patent laws, etc., the principles which ought to govern governmental interference in the economy--political economy as an art--is an essential aspect of economic study.

Method of Economics

Sidgwick, following J. S. Mill, recognized the interdependence of economic phenomena with general social phenomena. In the study of industrial organization, a separate and historic inductive study was justified. But in treating the present, one might legitimately assume the structure of society as given. With regard to the theory of distribution and exchange--the static theory of resource allocation which Ricardo was concerned with--economics should be regarded as an abstract science. In distribution, wrote Sidgwick, we are concerned with the here and now, the vast differences in the division of the products of industry among different classes of persons and what the effect of any particular change in the determining conditions may be on the distribution, other things being equal. With regard to exchange, we are concerned with why prices are what they are and how far any particular event, other things remaining the same, would tend to raise or lower prices. In these matters, political economy is concerned to derive general laws governing the determination of remuneration and prices on the basis of a simplified world with freedom of exchange, freedom of occupation, etc.

By means of this simplification we obtain exact answers to our general economic questions through reasonings that sometimes reach a considerable degree of complexity. It is obvious that answers so obtained do not by themselves enable us to accurately interpret or predict concrete economic phenomena, but it is commonly held that when modified by a rough conjectural allowance for the difference between our hypothetical premises and the actual facts in any case, they do materially assist us in attaining approximate correctness in our interpretations and predictions.¹⁴

The applicability and utility of economic theory would then depend upon 1) the realism and simplicity of the assumptions, 2) divergence of reality from facts of the abstract case, and therefore the insight and skill shown in conjecturing the effects of modifying causes whose effect cannot be traced. Sidgwick thought that accurate knowledge of facts was needed to secure success in terms of the above conditions (1) and (2).

He endorsed the basic behavioral assumption that individuals strive for maximum return--"universality and unlimitedness of the desire for wealth." While economists might justly be charged with not mentioning work done for power, reputation, family affection, patriotism, esprit de corps, in industry rarely is work totally uncompensated by monetary reward and such motives are found mainly in areas of charitable acts, government functions, etc. which supplement the deficiencies of distribution.

Sidgwick does object to the assumption of universal aversion to labor in the theory of distribution because many persons can get more happiness out of work than out of expenditure. (For example Jevons: "Labor is the painful exertion which we undergo to ward off pains of greater amount or to procure pleasures which leaves balance in our favor.")¹⁵ Marshall does not disagree that work might be pleasurable to start with but since wages are determined by labor at the margin, he argues that it is correct to regard the labor at the margin as being "a disutility" (a term used by Jevons). (To be fair to Jevons, he also has the utility curve of labor showing positive utility in the early stages of work.)¹⁶

Sidgwick emphasized that thorough explicitness with regard to assumptions is needed. Given such explicitness, the deductive method, though limited in its utility to explain concrete situations, is valid in abstract and hypothetical model-building whose value depends upon its being used with as full knowledge as possible of the results of observation and induction. Moreover, the deductive method has great utility as a means of training the intellect in the kind of reasoning required for dealing with concrete economic problems.

The Problem of Definition

Sidgwick has a considerable discussion on the process of definition and suggests that common usage should be kept in mind as far as possible and that definitions should be adapted to the doctrine expounded. He distinguishes between what we commonly mean and what we ought to mean--the meaning that for scientific purposes ought to be attached to the term.¹⁷

Production

The starting point of Sidgwick's discussion of production is its interdependence with distribution. "...the kinds of wealth produced in any society depend largely on the manner in which wealth is distributed among the members of society," he writes

In a community where there is a large middle class, there will probably be an abundance of cheap luxuries, while where there are only a few rich persons among a multitude of poor, we shall expect to find a production mainly of necessaries with a small amount of costly and elaborate commodities. Similarly, distribution cannot fail to influence the amounts of wealth

produced; since both the nature and the intensity of the motives that normally prompt men either to labor or save, vary considerably according to their position in the scale of wealth and poverty.¹⁸

Though he treats of production, distribution and exchange separately, he disagrees with J. S. Mill and asserts that production and distribution are inextricably linked together for the only way of obtaining a precise idea of wealth is by devising a scientific way of "measuring" it. Measurement of what is produced is influenced by income distribution. Sidgwick here made an important point that has been taken up in modern development economics.¹⁹

Laws of Production

Sidgwick tended to agree with the Malthusian theory of population, which he regarded as relevant to production theory only from the point of view of the law of diminishing returns. The proposition about population tending to outrun means of subsistence, he regarded only as a tendency. However, he did accept the proposition that was almost axiomatic with J. S. Mill that population increased with an increase in the means of subsistence. He followed Carey in limiting the operation of the law of diminishing returns.

The point at which diminishing returns begins to operate, varies with the development of the industrial arts and the accumulation of capital; it tends to be removed continually further back by the progress of invention, provided that through the accumulation of capital, the improvement of processes which invention renders possible is actually realized.²⁰

Diminishing returns were manifested in agriculture, he believed, even if labor and capital increase proportionately, a point on which Alfred

Marshall who described the law of diminishing returns in terms of "an increase in the capital and labor applied in the cultivation of land"²¹ is in agreement with him. Marshall also viewed it as a general tendency applying to any factor of production which is fixed in supply.

Sidgwick also distinguished clearly between average and marginal product of labor. He writes "...ceteris paribus, any considerable increment of capital-aided labor, applied with average skill would be less productive than the average of capital aided labor actually applied"²² i.e., marginal product of labor is less than average product. The law of diminishing returns is moreover an abstract statement which is a statement of a tendency and not a fact because inventions are made and the area of exchange widens. It describes a force whose operation is counteracted by another force. The net effect of diminishing returns and increasing returns due to "capital, invention and cooperation is an empirical and not a theoretical matter."²³

Value

Sidgwick defines value of a thing, whether or not exchange is involved, as what one would give if necessary to gain or keep it. Where exchange is involved, it would mean what other people would give for the article in question. (It would appear that Sidgwick had an idea of 'opportunity cost.' In his discussion of wealth, he refers to goods with an opportunity cost of zero as follows: "This is the case of products which from their special adaptation to unique uses, could not

possibly be transferred without losing most of their utility, and therefore of their value.")²⁴

A problem arises when values of the same thing are compared at different times. For then, one can no longer take anything one likes as a standard of value. If individual values are compared with value of things in general, there is the problem of aggregation and if value of one thing has to be compared with something that has not changed in value, there is the problem of defining what "not varying in value" means.

Sidgwick rejects the Smithian notion, as he perceives it, of labor as the standard of exchange value, as well as the view of J. S. Mill that evaluating exchange value relative to things in general is impossible.

To enable the money price of a thing at two different periods to measure the quantity of things in general which it will exchange for, Mill had written, "the same sum of money must correspond at both periods to the same quantity of things in general, that is, money must always have the same exchange value, the same general purchasing power. Now not only is this not true of money, or of any other commodity, but we cannot suppose any state of circumstances in which it would be true."²⁵

Sidgwick reasons that it had been possible historically to establish variations in the value of gold between two points in time and that to this extent, it would be possible to estimate the value of the same thing at different times, relatively to things in general. He considered it important to examine the adequacy of measures of the purchasing power of money and was thus led to consider the question of the usefulness and limitations of index-numbers.

Sidgwick examines Ricardian value theory, noting the inconsistency in the latter which defines the real value of things as measured by labor, while at the same time drawing attention to the different values of products due to the different degrees of durability of the capital employed in producing them. He rejects the view of the socialists who he thinks have "ingeniously perverted Ricardo's inconsistency into an argument against the remuneration of capitalists" and suggests that cost should consist of 'labor and delay' and not just of 'labor' only. Thus modified, he accepts this Ricardian notion of real value. (Marshall in a similar defense of Ricardo against Rodbertus and Marx wrote "...it seems difficult to imagine how he (Ricardo) could more strongly have emphasized the fact that time or waiting as well as labor is an element of cost of production."²⁶)

Sidgwick has an additional reason for accepting the Ricardian "real value" which is based on the Ricardian analysis of an invariant measure of value and of the Ricardian attempt to generalize the idea of a commodity whose cost of production and therefore price is invariant through time so as to serve as an absolute yardstick against which to measure price changes in other commodities. Sidgwick writes,

...in the comparison of equivalents which I hold to be essentially implied in the common notion of value, the exact nature of the equivalents compared is not determined; when, however, we think of the value of a particular product, we ordinarily consider it as exchanged for money or some other material wealth. But when we consider the valuable products of human labor (including money) in the aggregate, this kind of comparison seems inappropriate, since there remains no material thing outside the aggregate for which we could consider the aggregate exchanged, in this case then it is natural to compare the aggregate of products with the labor (and delay)

that it would cost to reproduce them--so far at least as we would desire to reproduce them.²⁷

Important as it might be to know the varying amounts of labor and time required to produce a given commodity, he admits that such knowledge helps us little in measuring its variations in exchange value relatively to things in general, which also leads him to consider the problem of measuring changes in the general purchasing power.

Sidgwick has a sophisticated discussion of changes in the general purchasing power over a period of time in terms of index numbers. He adopts one of Jevons' solutions of weighting--considering different articles as differently important in proportion to the value of the total quantities bought and sold. He opts for the weighted sum of prices rather than the geometric mean of price ratios advocated by Jevons. Alfred Marshall followed Sidgwick in this regard.²⁸

Sidgwick also points to the difficulty that for a community as for individuals, patterns of consumption change. People will buy more of cheaper things at a different point in time. So he writes,

Under these circumstances, the proposed method (of calculating index numbers as representative of changes in general purchasing power--R.V.) presents us with two alternatives; we may either take the total amount of things purchased at the latter period and consider how much they would have cost twenty years before, or we may exactly reverse the process. It is manifest, however, that these alternative procedures might lead to different and even opposite answers to the question.

What change has occurred in the general purchasing power of money?

"Since it may easily be that men would have both had to pay more for what they buy now, also more now for what they bought twenty years ago."²⁹

Sidgwick laid stress on the progress of the industrial arts which complicated the picture because of the changes in the quality of goods they bring about. New kinds of products bring about particularly acute difficulties. Similar problems exist also in comparing values in two different places by the method of index numbers.

Wealth

Sidgwick's discussion of wealth bears such a close resemblance to that of Marshall later, that one may suggest the possibility that Marshall may have been influenced by Sidgwick's discussion of the problem.³⁰ Wealth of an individual is defined as his net asset position taking into account all useful things whether material such as food, clothes, houses, or immaterial things such as debts, patents, copyrights, etc. which are valuable and transferable and can be sold at a price. The valuation of assets would be in terms of exchange value using money as a convenience. There are the same problems of aggregation of dissimilar commodities in terms of value as in evaluating the general price level. Wealth by definition includes only purchased commodities and excludes unpurchased and useful things like sun's light and heat, air, the rain, etc.

The Ricardian measure of labor is not adequate, he suggests, but utility also cannot be the sole standard of wealth because even from the point of view of a single person, utility depends upon availability and level of consumption. He raises also the difficulties of measuring wealth arising from the declining marginal utility of wealth because the

latter means that wealth distribution would partly determine the amount of wealth. Without attempting to resolve these difficulties, Sidgwick accepts the second best solution of measuring amounts of same wealth by their quantity, and wealth of different kinds by their exchange value. With regard to services, he clearly sees no difference between the production of a material good and that of a service and therefore is clear that both should be reckoned in current production or aggregate income but not in wealth. Sidgwick concluded that education is significant for wealth and that the skills of a population do constitute wealth - investment of capital and "perhaps" wealth. (He was hesitant in his assertion that skill is wealth. Marshall excludes from wealth all personal qualities and faculties, even those which enable a person to earn his living, because they are internal to people.)³¹ Debts of various kinds constitute wealth only to the extent that they are debts of foreigners. But one has to take into account the potential for enhancing productivity that is generated by a sophisticated or well-developed monetary and credit system.³²

Capital

Sidgwick defines capital as wealth employed in production so as to yield a profit from an individual point of view and wealth used productively, i.e. "in adding utility to matter." Wealth becomes capital when used in production. He felt that Ricardo and James Mill had adopted a too restrictive view of capital as "food and other articles consumed by the laborers, the raw material on which they operate and the instruments

of all sorts which are employed in aiding their laborers."³³ Inventory is part of capital as well as the man-made improvements on land but not land itself. Capital includes human capital but human capital is recognized to be nontransferable and distinctive and called "personal capital."

Without denying that funds used to pay labor may have been a part of the capital of the employer in the previous period, Sidgwick suggests, though tentatively, that accumulation refers not to wage goods (the wage fund) but to the instruments of production, buildings, machinery, improvements in land, etc. Savings and accumulation have to be embodied in goods used in further production in order to be called capital. Sidgwick was equally clear that the consumption-savings-investment functions have to be performed in a socialistic economy as well as a capitalistic economy.

Like Jevons,³⁴ Sidgwick regards durable goods like houses as capital and as a matter of fact all goods kept in stock as inventory, as capital.

Thus, Sidgwick appears simultaneously to accept two views of capital--the broader one of regarding as coextensive, wealth (in a social sense) and capital, and the narrower one of the store of things, the result of past labor devoted to securing benefits in the future.

Sidgwick's analysis contains the concepts expounded later by Marshall, the "prospective" as well as the "productive" views of capital. By "prospectiveness" Marshall meant the "faculty of realizing the future" or of "waiting" for it; by "productiveness," the extra benefit of

"productiveness of efforts wisely spent in providing against distant evils or for the satisfaction of future wants."³⁵ Marshall was later to point out that while technically and rigorously the broader view of capital which was adopted by Walras, Jevons and Fisher was the correct one, the narrower one that limits capital to "all things other than land, which yield income that is generally reckoned as such in common discourse; together with similar things in public ownership, such as government factories; the term land being taken to include all free gifts of nature such as mines, fisheries, etc. which yield income"³⁶ was the meaning he proposed to give to it.

Savings

Given the demand for capital, supply of savings depends only to a limited extent on the interest rate. Sidgwick improves upon J. S. Mill who had emphasized that savings depended on 1) the surplus--"the amount of the fund from which saving can be made" and 2) the interest rate--"the greater the profit can be made from capital, the stronger is the motive to its accumulation."³⁷ Along with these, Mill had also referred to the cultural and social environment, the general state of society and civilization which, given the above two factors, produced varied inclinations to save. Sidgwick suggests that savings depend upon 1) "how far the community can afford to labor for remote results" and 2) expected rate of return--"so far as it can afford this, for what amount of economic gain it will be willing to postpone immediate consumption."³⁸ He recognizes the importance for savings of factors like the stability of society, family affection, habit and custom as well as the complexity of

the motives to save and spend; for example, if saving is for the purpose of obtaining income from savings, the savings would go up with a fall in the rate of interest. Saving by poorer classes is not affected by the rate of interest.³⁹

"In the first place" he writes, "the amount that may be saved by a community within any given period tends to be increased, *ceteris paribus*, by any cause that increases the real income of the community during that period."⁴⁰

Thus, Sidgwick may well have anticipated John Maynard Keynes.

A rather distinctive point made by Sidgwick is that the social benefit from new investment may be different from the private return as reflected in the interest rate. Just as new investment may render old capital obsolete rendering social gain less than private gain, if as a result of new investment lower prices result, social gains can be greater than private return.

Distribution and Exchange

The subject of distribution is treated as part of the subject of exchange value. Sidgwick differed in this respect from J. S. Mill who not only discussed distribution separately from and prior to exchange but felt that a discussion of distribution needed only "anticipating some small portion of the theory of value, especially as to value of labor and of land."⁴¹ Marshall, of course, treated the problem of distribution as one of the general theory of exchange and of the twin forces of supply and demand.

Sidgwick distinguished between functional and personal distribution of income. The functional distribution of income he regarded as a

matter of abstract economic analysis, based on a consideration of the principles which determine the exchange value of the productive services of capital (including land) and labor.

He defined carefully gross national product which he called "produce," ("the new increment of commodities" continually produced by labor and capital and nearly equivalent to the "real income" of the community--nearly equivalent because produce did not include the utilities a person derives from his own labor and the unpaid labor of the members of his family) as inclusive of investment and government expenditure in addition to consumption. He felt that for consideration of the problem of distribution, the services of durable consumer wealth like houses and the imputed value of goods and services not exchanged in a market such as services to oneself including cooking and cleaning, washing clothes, etc. had to be considered. He assumed "free bargaining among persons seeking each his private interest" and suggested that therefore the theory of distribution was only applicable in a partial and qualified manner to societies in which prices were determined by law and custom. (J. S. Mill also attached a great deal of importance to the forces of law and custom in distribution.) Sidgwick distinguished the categories of distribution as 1) wages and salaries; 2) profits of entrepreneurs who own capital and land and whose returns include interest and rent and wages of management; 3) interest on borrowed funds and 4) rent on hired land. The theory of distribution is regarded therefore as a theory of the prices of the services of land, labor and capital.

Theory of Exchange Value

Sidwick distinguished between two types of market structures-- monopoly and perfect competition and tended to regard as free competition any situation not involving monopoly. He assumed Jevons' law of indifference that there is only one market price per unit for all quantities sold of a given commodity.

The meaning of perfect competition is not clearly specified. Sidwick adopted Cairnes' distinction between "commercial competition" among traders and "industrial competition" involving mobility of factors between regions and industries. The former he regarded as relevant to market values or prices as determined by demand and supply and interpreted it as the interactive process between different sellers confronted with the buyers. Industrial competition, he regarded as setting "natural values" so far as they are determined by cost of production.

Sidwick clarified much of the framework of J. S. Mill's discussion of value in Book III, Chapters I to VI of his Principles of Political Economy but in many cases improved upon Mill considerably.

Sidwick assumed constant purchasing power of money, thus being able to substitute the term 'price' for 'value.' He saw demand as a schedule (Jevons has come close to such a concept in his Theory of Political Economy when he speaks of

"The aggregate, or what is the same, the average consumption, of a large community" as "varying continuously or nearly so" and again when he writes that "Any change in the price of an article will be determined not with regard to the large numbers who might or might not buy it at other prices, but by the few who will or will not buy it, accordingly as a change is made close to the existing price."⁴²

a downward sloping one which he christened the "Law of Demand."

"We assume," he wrote, "that for any given price there is a certain amount which purchasers are willing to take at that price; and that so long as all else remains unchanged this amount will be greater when the price is lower, and less when it is higher. What the exact extent of any such variation in demand will be, for any given change in price, we have no means of knowing a priori and we make no general assumptions with regard to it."⁴³

Sidgwick explains the law of demand in terms of Jevons' concept of "final utility." He refers to the fact that unequal distribution of wealth will mean that the same price will represent different degrees of utility to different purchasers so that the increase in quantity demanded as a result of lower price is a sum total result of a diversity of estimates of marginal utility made in a wide variety of conditions.

Distinguishing between changes in demand and changes in quantity demanded, Sidgwick writes,

But when we speak of 'price rising as demand rises' (J. S. Mill) we are contemplating not the effect of a given law of demand (used to mean a given demand schedule-R.V.) but a change in such a law. We are supposing that owing to some change in social needs or desires, or in the supply of some other commodity, or perhaps in the general wealth of society, a new law of demand (a new demand schedule-R.V.) has come into operation and the amount of the commodity demanded at any price has increased.⁴⁴

He suggests for clarity "extension of demand" for movements along a demand schedule and "rise in demand" for a shift to the right of the demand schedule (and 'reduction' and 'fall' in the opposite senses).

Paradoxically, he did not discuss the concept of elasticity of demand in relation to domestic demand but in his discussion of international values. In this respect he follows J. S. Mill who also introduces the concept of elasticity of demand which he (J. S. Mill) called

"the influence of cheapness on demand"--"that the demand would be increased more than the cheapness, as much as the cheapness or less than the cheapness," only in the section on international trade in discussing the division of benefits of trade between two countries following technological progress.⁴⁵ Sidgwick introduces the concept of "extensible" or "elastic" demand (both terms are used) as follows:

...in proportion as the demand in either country for the foreign wares of the other is more extensible or elastic (emphasis mine-R.V.) than the corresponding demand on the other side, that is, in proportion as the law of demand (given demand schedule-R.V.) for the foreign wares is of such a kind that a comparatively small fall in their prices causes, *ceteris paribus*, a comparatively large extension in the demand for them....⁴⁶

With regard to supply Sidgwick improved upon J. S. Mill and points out that supply is not a fixed amount independent of price but is also a schedule of quantities offered at different prices.

As pointed out earlier, Sidgwick follows closely J. S. Mill's discussion of value and is somewhat limited by its ambiguities and lack of clarity. In order to follow Sidgwick, it is necessary to take a brief look at Mill's discussion.

Mill distinguished between 'market value' (temporary value) which depends upon demand and supply and 'natural value' (permanent value) towards which market value tended to return "after every variation." With regard to the natural value of commodities, Mill had three categories. 1) Cases of things whose supply would not be increased at all or which could not satisfy the quantity demanded at their cost of production (wages plus profits). Such commodities might be few but artificial limitation of supply under monopoly could make this category

larger. The case of monopoly thus is subsumed in this category.

2) The case of commodities ("embracing the majority of all things bought and sold")⁴⁷ which can be increased without limit at the same cost--the constant cost case. 3) Those "commodities which can be multiplied to an indefinite extent by labor and expenditure, only a limited quantity can be produced at a given cost; if more is wanted, it must be produced at greater cost"⁴⁸ the case of increasing cost.

With regard to case 1, according to Mill, price would be determined by demand, given the fixed quantity of supply. In case 2, the necessary minimum (cost of production) would also be the maximum "if competition is free and active." Cost of production would determine value.

It is therefore strictly correct to say that the value of things which can be increased in quantity at pleasure, does not depend (except accidentally, and during the time necessary for production to adjust itself) upon demand and supply; on the contrary, demand and supply depend upon it.⁴⁹

In regard to the third category, natural price is determined by marginal cost--"the cost necessary for producing and bringing to market the most costly portion of the supply required."⁵⁰

Henry Sidgwick discusses monopoly in terms of slowly rising marginal cost or constant costs and elasticity of demand. He anticipated Alfred Marshall by relating elasticity of demand to changes in total revenue following changes in price. He suggests that inelasticity may be more characteristic of demand where monopoly exists and if this is the case the monopolist will learn to restrict the quantity supplied.

There is an interesting discussion of duopoly with an example of two mineral springs with the same quality of water and two persons

working them. He comes to the conclusion that competition between the two sellers will bring the price down to marginal cost (the spring owners have a horizontal marginal cost curve). There are, however, no references to Cournot or any other economists in this discussion. (In the posthumously published 1901 edition of his Principles, Sidgwick acknowledged his debt to Cournot.)

With regard to Mill's constant cost case, Sidgwick discusses the fluctuations of market price and suggests that quantities brought to the market for sale are decided by price prevailing in the market. Given that the goods are durable and that there is a uniform rate of production, assuming full information and perfect foresight, such goods will be sold under competition

...at price at which there is equal expectation of advantage in selling or holding back, i.e. at which any expected rise in prices is estimated as just sufficient⁵¹ to compensate for expense and loss on the stock kept back.

Moreover,

Supply that is kept back in any market partly depends on differences of opinion on the part of different dealers as to the future prospects of supply or demand.⁵²

as well as differences in rates of interest charged to different borrowers.

Sidgwick anticipated Keynes, it would seem, in emphasizing expected rather than actual profits in the concept of cost of production. It is variation in expected profits which lead to flows of capital into industry, and determine supply changes. There is therefore a certain interdependence between demand and supply in the long run because higher demand leads to higher profits which in turn leads to the expectation of

higher profits and greater demand for skilled labor and higher costs. But economies of scale may exist, so that the increase of demand leading to increased production may reduce costs. Due to this interrelationship between demand and cost of production, there is no single natural price determined by cost of production. Moreover, it is Sidgwick's view that the situation of long run constant costs ("products of which the cost of production remains uniform while the supply is increased indefinitely") is not as general as Mill supposed. Constant costs might be a result of two opposed forces--economies of division of labor and increased prices of labor and resources best adapted to industry as industry expanded.

Sidgwick shows that when marginal cost is equal to price, profit is at a maximum.

Competition will obviously lead the producers to extend the supply until the price is brought down to the point at which the most costly portion is only just remuneratively produced. And it is further evident that there can be only one such point.⁵³

However, the meaning of competition, referred to as 'free competition' is not always clear beyond the fact that it excludes combination. Sometimes as in the following passage there is even the suggestion that you can fix prices under competition.

"Now it is manifest," writes Sidgwick, "that under a system of free competition, where production on a small scale is the more economical, the small employer ought to be able to keep his rate of profit (percent of capital) above the rate current in other industries, by keeping up the price of his commodity."⁵⁴

Theory of International Values

Sidgwick's exposition of the theory of international values, apart from its elaboration of the concept of elasticity of demand, does not add much to Mill's discussion and in some respects may be regarded as obscure. He does however point to the need to estimate a standard of value common to two countries engaged in international trade and feels that such a standard could be obtained by estimating and allowing for the differences in the value of actual money. This could be done in terms of an index which is a weighted sum of prices in both countries. Implicit is a purchasing power parity view of exchange in international transactions.

Money

Money is defined as including coin, banknotes, and demand deposits, Bagehot's Lombard Street being invoked as authority for the last. Sidgwick thus disagreed with J. S. Mill's definition of money which included coined money or coin and paper substitutes but excluded banknotes (legal tender) and convertible banknotes--not legal tender--which Bagehot had called money of account (present demand deposits). Interestingly, Marshall writing almost forty years later, makes no specific mention of demand deposits in his account of money though his statement that "when nothing is implied to the contrary, 'money' is to be taken as convertible with 'currency' and therefore to consist of all those things which are (at any time and place) generally 'current', without doubt or special inquiry as means of purchasing commodities and

services, and of defraying commercial obligations"⁵⁵ does not exclude them. There are, however, definite suggestions in Marshall's treatment of money that checks economize in the use of currency and that banks can and do expand money supply.

The restriction of supply by government is what determines the value of inconvertible paper money. The value of coins (except of token coins) is dependent on the value of the metal, say gold (in the case of gold coin). The value of gold is dependent on the marginal cost of mining gold and upon demand. Because gold is durable, and all the gold in monetary use is in the market, changes in supply take long to affect price. Demand, therefore, has the greater influence.

The demand for gold consists of the monetary demand including demand for bullion in international trade, the demand for ornamental or technical use and the demand for hoarding. The last is unimportant in industrially developed countries and the demand for ornamental or technical use is generally stable and so that the value of money may be regarded as mainly dependent on the monetary demand for gold and its substitutes. Sidgwick concludes that

So far as the quantities and relative values of the commodities exchanged remain the same, the quantity of gold demanded for the work of mediating exchanges may be taken to vary simply in reverse ratio to its purchasing power-- for the obvious reason that as the price of anything rises, ⁵⁶ a proportionally larger amount of money is required to buy it.

He thus adheres to the quantity theory of money although he sees its effect modified because a fall in the purchasing power of money, being favorable to borrowers and particularly to industry, will tend to stimulate the economy.

"In this way," he writes, "the effects of our increase in the proportion of gold to commodities may be somewhat reduced, or at least spread over a longer period, by the stimulus to industry which the transition from the smaller to the larger relative quantity gives; a decrease may similarly act as discouragement."⁵⁷

One also has to take into account the effects of changes in the quantity of money on the distribution of income, which will in turn modify the work that money has to do. Sidgwick also considers the changes in price level that may be brought about by the extension of the use of credit in purchases, without any changes in the quantity of monetary gold. Sidgwick seems also to have been of the opinion that expenditure was an important element in determining the general price level. In arguing against Mill who wanted banknote currency issues to be regulated so as to maintain full convertibility (because Mill worried about the tendency of governments to overissue convertible currency), Sidgwick stressed that while banks may make loans or be prepared to issue loans, they cannot ensure expenditure. The latter was the important aspect for prices.

The Rate of Interest

J. S. Mill had essentially a loanable funds theory of the interest rate. "The rate of interest will be such as to equalize the demand for loans with the supply of them," he wrote.⁵⁸ He regarded the demand for capital as the acquisition of purchasing power over commodities to be used as capital.

Sidgwick distinguishes between cost of borrowed capital which he regards as interest and return on owned capital which includes wages of

management in addition to interest. This is very much like Mill's concept of profits as composed of three elements--remuneration for risk, for trouble and for the capital itself or insurance, wages of superintendance, and interest. Sidgwick felt that the rate of interest in the money market is not the correct concept of the interest rate because it includes remuneration for the labor of those whose business is lending money. The true interest rate is the price of capital borrowed from the public.

Capital gains or losses have to be added to or subtracted from the interest but they are themselves caused by changes in the interest rate. The increase in nominal wealth is important from the point of view of distribution but Sidgwick ignored the problem temporarily by the static assumption of constant interest rates. In a manner anticipatory of Marshall,⁵⁹ Sidgwick regards the interest rate as the rate on freshly applied capital. He also distinguished between nominal interest rates which varied greatly and actual yields which were not so different. Actual differences in the interest rate correspond to differences in the general estimate of the probabilities of rise or fall in future yields or selling values of such investments. Some securities were accepted at lower yield because they were widely known and safe. Some investors are moreover risk averters and seek safety and security while others seek adventure and risk.

Sidgwick had a supply and demand theory for the determination of the price for the use of capital. Demand for the use of capital arises from industrial and nonindustrial loans. Borrowing for production

generally is greater than borrowing for consumption. He therefore regarded the demand schedule as dependent mainly upon borrowing for industrial purposes. With the exception of borrowing for building houses, borrowing for consumption is regarded as largely independent of the interest rate. Like Jevons, he explained the demand for capital as based on the "free and unfettered" choice made by the entrepreneur based on his expectation of the productivity of capital. He had a Bohm Bauwerkian view of the productivity of capital. "The general function of capital employed in industry is to enable the ultimate net produce of labor to be increased by processes which postpone the time of obtaining it."⁶⁰

Given that the use of capital increased the produce of labor, demand for the use of capital depended upon marginal productivity

...the rate of interest on floating capital generally will tend to be equal to the ratio borne to the last increment of such capital by the value of the average additional produce expected to be obtained by employing it--allowing for the varying interval that may elapse before the produce is obtained, and subtracting what we may call "the employer's fee" i.e., the portion of produce that the employers of capital will retain as their remuneration for the labor of management.⁶¹

From a secular point of view, industrial opportunities recognized as such by employers determine the productivity of capital. These opportunities themselves depend on: 1) natural resources not yet exploited; 2) technology which determines natural resource exploitation potential; 3) the industrial and political organization of society--whether or not it permits exploitation of potential as seen by "insightful people," akin to the Schumpeterian "social climate."

Sidgwick refers to the existence of external economies which lead to "bunched" or related, complementary investments. For example, agricultural development makes investment in railways profitable. With railways further agricultural development and further development of manufacturers is made possible.

Invention and innovation increase demand for capital. But in their absence, demand for capital depends on growth of population. But increase of capital under these circumstances might involve diminishing returns. There are thus two opposing tendencies--diminishing returns and improved productivity through technological change and expanding international trade. Sidgwick recognized that progress might not be capital using.

With regard to the supply of capital, Sidgwick postulates a relationship between savings and the rate of interest expressing the rate of time preference. "The rate of interest will express the average estimate formed in the community of the comparative advantages of present and future enjoyment of wealth."⁶² Given the motives for saving such as degree of foresight and control, capacity for being influenced by remote pleasures, habits and attitudes with regard to posterity, savings is a function of real income and the interest rate. It was Sidgwick's view that in the short run, savings are not much influenced by the interest rate so that in the short-run, the interest rate is determined by the demand for capital. But in the long-run, the interest rate is determined by demand for the services of capital and supply of savings as functions of the interest rate.

Rent

Sidgwick defined rent as follows:

Rent denotes the payment made for the use of 'immovables' that is, either the surface of land as used in agriculture or buildings erected on it, or of the minerals it contains together with the right of removing or selling them.⁶³

It is impossible to separate man-made improvements on land and "the original and indestructible properties of the soil." In practice, rent would exceed interest on investment by present costs of maintenance, depreciation in the sense of compensation for ordinary deterioration of structures, insurance against possible depreciation through technological change or change of fashion, as well as against other risks and wages of management of the land. He also points to the similarity in returns between land rent and the revenues of a railway company as demand grows, or the returns to patents or the return to good will. He thus seems to regard rent partly as return to special advantage fixed in supply.

Wages

Sidgwick understood by wages an average rate or amount of wages, such average being of all labor, not merely of unskilled labor as was postulated by J. S. Mill. Wages at subsistence (including cost of raising a family) do not constitute a maximum because labor can increase wages beyond subsistence by bargaining. Nor do they constitute a minimum because employers, while prepared to pay subsistence to labor, may

not feel they should do so for the family from whom they do not get a return.

Sidgwick did not hold the wage fund theory. Firstly, he saw that the wage fund theory would mean that the demand for labor did not depend upon the demand for the good which labor helped to produce (and hence marginal utility) but merely upon the funds available for hiring labor. Secondly, he recognized that there is very little relationship in Mill's theory of distribution between exchange value of products and that of factors of production.

Actually he denied that wages are paid out of capital at all. It comes out of finished products for the consumption of laborers and others. The initial investments of capital and labor continually results in the product which is the source of payment of real wages, as well as real profits, interest and rent. The transaction (payment of wages in return for labor), said Sidgwick, is a purchase; not a loan; an exchange, not an advance. A distinction has to be made between 'capital' and 'produce.'

Sidgwick visualized the production process as a continuous flow. The assistance rendered to labor as purchased by the employer leads to output, a part of which passes on to laborers as their share or produce. An increase of capital in production indirectly increases wages by increasing "produce" (national income).

"Thus we should regard each addition to the total stock of capital in the country," he wrote, "as containing an addition to the wages fund; but only as tending to increase wages indirectly so far as it; 1) increases aggregate produce by

supplying industry with additional instruments; 2) increases the laborer's share of produce, in consequence of the lower rate of interest on the increased supply of capital."⁶⁴

In the light of the above, it is somewhat surprising that Sidgwick postulates that given the supply of labor, the share of labor in the aggregate is determined by the residual of national income left after paying interest and rent. As population increases, this share of labor falls if capital is stationary--a conclusion similar to that of the wage fund theory. But his reason is that with population increase, and capital constant, demand for capital goes up, interest rate goes up and thus the share of capital goes up. At the same time due to diminishing returns, the share of labor will be lower. Invention may improve the share of labor aided by capital and human capital may similarly push up the share of labor. "Improvements in the physical, moral or intellectual qualities of labor tend primarily to increase the share of the produce that falls to labor, leaving the share of capital unaltered."⁶⁵

Marginal productivity is approved as an explanation for wages only tangentially at the end of the book where Sidgwick discusses distributive justice.

With regard to the supply of labor, Sidgwick adduces factors like labor force participation rate given population, and population growth rate. The supply of labor is regarded as being affected by the wage rates through its influence on the population growth rate, a surprising reversion to J. S. Mill which ignores Jevons' relatively modernistic theory which incorporated both the work-leisure choice and marginal productivity.⁶⁶

It is also somewhat paradoxical that having described wages as the residual after payment of interest and rent, Sidgwick should also regard profits--resulting from the foresight and "prescience" of the entrepreneur and a reward for risk and uncertainty--as a residual too.

...under the existing conditions of industry, profits are the leavings of wages so that the capitalist employer mostly bears the shock of unforeseen losses, and only passes on a part of the blow to his employees; and in the same way, he mostly secures the lion's share of unforeseen gains.⁶⁷

Sidgwick has a clear theory of human capital and points out that given the rate of interest, the normal differences in wages due to training could be computed.

"It would be sufficient," he says about such differences, "if continued for the average working period of life of such a skilled laborer, to replace with interest the wealth expended in teaching the worker and maintaining him during the extra years of his education--subtracting, of course, whatever was earned by the pupil before his education was completed--in short the sum so expended would tend to yield, precisely in the same way and to the same extent as any other capital, a return proportioned to the amount and the period of investment."⁶⁸

However, because of inequality of wealth, certainly highly skilled professions tend to be much better paid than would be justified by the investment. There is a built-in advantage for better-off people, who alone can afford the investment.⁶⁹

Anticipating Marshall, Sidgwick regarded the return to labor of superior quality to the extent it represented "natural aptitude" as something analogous to rent. He cites lawyers and physicians as examples of those whose remuneration includes elements of rent as well as monopoly price.

Where the commodity produced by rare skill is valuable on account of its special qualities, real or supposed, the reward of such skill may be compared to the high rents obtained by the owners of famous vineyards...while again, so far as the services of any one individual have--or are believed to have unique qualities, his remuneration is of course determined under the conditions of strict monopoly.⁷⁰

Sidgwick discusses the issue of monopoly in connection with combinations of workers and their effect on wages. He thinks that the only way to raise wages of combination above wages in industries for similar skills is by restricting supply. Where wages are fixed by the union, demand for labor may go down sharply if there is a substitute for labor. Fall in profits may cause movement of capital to other industries, or if demand in product market should be inelastic, burden of higher wages would fall on consumers. He concluded that in general, combination did result in higher wages. This is in marked contrast to Marshall, who though he generally emphasizes the principle of substitution, argued in the case of trade unions attempting to raise wages that the attempt would only depress the economy.⁷¹

Like J. S. Mill, Sidgwick attached considerable importance to custom in determining distribution and suggests that material divergences from competition are due to custom and often related to prevailing notions of equity.

Case for Government Intervention in the Economy

Sidgwick agreed that there is a great deal of truth in the defense of the system of natural liberty as leading to the greatest social utility for consumers (society) and minimum cost production by producers. Obviously, however, even at its best, a number of qualifications must be made to the postulate that the theoretical system of perfect competition is best and that government interference should be at a minimum.

According to Sidgwick, this is so when the utilities of economies include not only immaterial and material utilities but also utilities derived from love of power, love of ease, etc. Secondly, while people may be relied upon to make the best judgement about use of wealth for themselves they do not necessarily provide for such best use ('productive of greatest utility') in their bequests which are made subject to conditions of their use. The question is whether bequests should be subject to restrictions. The answer would depend upon the balance of the gain in utility from freedom to use capital of those who inherit against the possibility that testator will have less inducement to produce and preserve wealth. A similar dilemma exists in respect of enforcement of contracts. For example, restriction has to be placed on men contracting themselves into slavery. Where is the line to be drawn for enforcement or nonenforcement? Thirdly, and here Sidgwick anticipates welfare economics, economic production involves outlays in the present for results in the future. Persons may not have the capacity for making such outlays. This is caused by existing inequality and causes greater inequality in so far as the scarcer higher skilled labor

is paid more highly than if wealth were more equally distributed. This means that society also suffers because such services are rendered less abundantly than would be the case if the labor and capital of the community were most productively employed. For society would pay a price more than sufficient to repay the outlay necessary to provide these skills but it would not be profitable for anyone to make the investment to be repaid out of the educated laborer's salary. "In this way it would be profitable for the community to provide technical and professional education at a cheap rate, even when it would not be profitable for any private individual to do this."⁷²

Moreover, Sidgwick was clear that laissez faire does not mean that an individual is the best guardian of his children's interests. The law has to protect children and oblige adults to look after children. Education may be too expensive for the poor so that the government cannot compel a universal minimum of education without assistance. There is moreover an improvement in efficiency for society which cannot be appropriated by employers.

"...the community derives an economic gain from the education of its younger members," wrote Sidgwick, "so far as they are thereby rendered more efficient laborers which the self-interest of private employers cannot be relied upon to provide, owing to the difficulty of appropriating the advantage of the increased efficiency. Hence, a national provision for education may to some extent be considered and justified as a measure for improving national production."⁷³

Sidgwick recognized the case of education as one of a larger class which involved nonappropriability by private entrepreneurs of the social benefits conferred.

"The above is only one of a large and varied class of cases" according to Sidgwick, "in which private interest cannot be relied upon as a sufficient stimulus to the performance of the most socially useful services, because such services are incapable of being appropriated by those who produce them or who would be otherwise be willing to purchase them. For instance, it may easily happen that the benefits of a well-placed lighthouse must be largely enjoyed by ships on which no toll could be conveniently imposed."⁷⁴

Thus Sidgwick adds public goods to goods which involve positive externalities such as education, which call for governmental intervention. Other examples cited by him are forest preservation to equalize and moderate rainfall, scientific discoveries, protection to native industries in so far as this is justified (the short-term cost to the consumer is justified by the long-term gain; the justification for government protection lies in the fact that the original entrepreneur makes it profitable for later entrepreneurs), and streets and bridges.

The case for government ownership is further justified on the basis that the entrepreneur might otherwise appropriate the social gain.

Private enterprise may sometimes be socially uneconomical because the undertaker is able to appropriate not less but more than the whole net gain of his enterprise to the community, for he may be able to appropriate the main part of the gain of a change causing gain and loss, while the concomitant loss falls entirely on others.⁷⁵

Thus, Sidgwick also has the case of negative uncompensated effects on third parties which justify government intervention.

Finally, Sidgwick points out that monopoly reduces supply below competitive supply and raises price above it. But sometimes monopoly is inevitable as in provision of water and supply of gas to urban areas. There is a definite conflict of private and social interest here which calls for regulation by government in order to protect the public

interest. Sidgwick does not deny that it might be expedient for government to help private joint stock companies liberally even where monopoly might arise. But in such instances government should have the right to regulate rates after the initial period or nationalize the companies with payment of compensation. Thus where monopoly has advantages, the government has to choose between government regulation and management.

Sidgwick is careful to point out that failure of the competitive system is not ipso facto justification for government intervention which must be decided upon in the light of, 1) the danger that growing power of government will be wrongly used; 2) the danger that the economic function of government will be exercised in favor of special interest groups, and 3) the danger of wasteful expenditure by government.

Functions of Government in Relation to Industry

Sidgwick's outline of government functions went beyond defense, law and order, protection of property, enforcement of contracts, and maintenance of communications in clearly defining the right of property and limiting it, in supporting government ownership and management of transportation and means of communication, and in requiring measures such as labelling of products and licensing of qualifications and standards of occupations such as physicians and surgeons where qualifications and standards are vital to preservation of life, and prescribing safety regulations for dangerous work such as in mines.

He struggled with the question of the limits of the rights of property according to the system of natural liberty. The right to

property is defined as the right to deny absolutely use and enjoyment of any material thing over which the right has been acquired. He saw the right to land as limited by the land required for common use. But more importantly, he felt that the right of bequest was based upon positive rather than natural law and therefore the limits to the right of property should be set from practical considerations such as extent and feasibility of evasion by gifts before death, necessity to maintain incentive for production after death, etc. What perhaps was unusual for his time was his opinion that government restrictions on private property in the contents of the earth might become important in the context of exhaustion of natural resources.

His arguments for government ownership and management of transportation included; 1) economies of scale under unified management; 2) the prospect that some important utilities would not otherwise be provided at all or be of inferior quality or more expensive; 3) prevention of private monopoly, and 4) the fact that social benefit exceeded private benefit.

The Principles of Distributive Justice

Sidgwick is unique among classical economists before Marshall, if we except the socialists, for his discussion of the role of government in the economy and of the principles of distributive justice. He confronted, as the Marxian socialists often did not, the concrete problems involved in attempts at too rapid systematic change. Neither did he, like the laissez faire economists, take the principle of private property for granted.

Sidgwick did not attack private property because it was historically rooted in the aggression of one man or group of people against others.

"Any plausible attack on private property," he wrote, "must be based on objections not to its origin, but to its actual operation; and similarly, if the absolute justice of the institution is to be maintained, it must not be merely because it actually exists, but because it is abstractly reasonable."⁷⁶

Sidgwick examines the view that the full right of private property is an indispensable element of the right to liberty. The libertarians of the 18th and 19th centuries held that a just social order secures to individuals equal freedom but that whatever inequalities in the enjoyment of material means of happiness might actually result from the exercise of this freedom, while perhaps to be deplored, was not to be forcibly prevented by the action of government.

Sidgwick argues that if by freedom is meant simply the antithesis of physical coercion, then "the most perfect realization of the freedom of each so far as compatible with the freedom of others" would not include the establishment of private property at all. It would entitle the individual to protection from interference while actually using any portion of material wealth in the same way as he is protected while using roads, commons, etc. But this amount of freedom, said Sidgwick, is compatible with the extremist communism. If on the other hand, the notion of equal freedom is extended to include equal opportunity for gratifying desires, then "it does not appear how equality of freedom can be realized so far as any appropriation is allowed which renders things of the kind appropriated unattainable, or more difficult of attainment by others." To grant the latter would result in taking away the basis

of private property in land and through land, all other property built up from appropriated land.

While disputing thus that the right to equal freedom implies the right of private property, Sidgwick is equally in opposition to the socialists who interpret freedom as the right of labor to its produce. This involves, says Sidgwick, the right to preliminary appropriation of the material which labor fashions. He argues that the conclusion of economic theory that wages are equal to the final utility of the services contributed by the worker is not entirely satisfactory from an economic as well as a moral point of view. It is unsatisfactory from an economic point of view because the workers' wages, if governed by marginal product of labor, are subject to the unforeseen decreases in the demand for the product labor produces or some increase in the supply of the particular kind of labor involved. The worker is not responsible for either of these kinds of changes and yet is their victim. The moral point of view suggests that labor should be rewarded not by achievement but by "effort," in harmony with the notion that the merit of an act lies in intention rather than result, but the principle involves many difficulties in application. He therefore concludes that if the demand for equity is to be included in distribution, it would mean that "differences in remuneration due to causes other than voluntary exertions of the laborers' remunerated should be reduced as far as possible."⁷⁷ Fair wages are then defined as "market wages obtained under the condition of the least possible inequality of opportunity."⁷⁸ His general conclusion is thus that marginal productivity is an appropriate

criterion under conditions where inequality of opportunity, whether due to natural circumstances or due to the institutional makeup of society, is at a minimum.

Herein lies the basic difference between Sidgwick and the laissez faire school. The latter believed that the system would reduce inevitable inequalities of opportunity to a minimum and free mobility, etc. would ensure that labor got market wages. But inequalities of income would continue to exist which is only appropriate because people should be entitled to the results of ancestor's labor and care. Sidgwick did not recognize any natural right to property and felt that practical considerations of efficiency and equity should determine the extent and limits of property rights. He believed that since it is difficult to prevent the effects of monopoly, nationalization of monopolies is justified by considerations of production. Similarly, nationalization of land is justified as the community is entitled to the unearned increment of land but cannot easily appropriate it under a system of private property in land because of the difficulty of separating earned from unearned parts of rent. (He did not, however, recommend for most communities immediate nationalization because he felt that the gains from private ownership exceed the gain in equity of distribution. There is no doubt that Sidgwick's predilections towards socialism were more often than not overcome by his fear that change would reduce the productivity of the society.)

Sidgwick defends trade unions' efforts to reduce the profits of employers by combinations to raise wages but again, does not recommend

it as an acceptable principle for the equitable distribution of produce.

We have earlier noted that Sidgwick recommends government provision of cheapened education not only because the cost would be repaid to the community in increased productivity but also as an offset to the extra return--over and above interest on investment in human capital--obtained by the children of capitalists from the scarcity value of their skills.

Sidgwick justifies an interest rate for "delay" because labor has gained by this delay due to the increase in its productivity. But at the same time he points out that private ownership of this producer's wealth is not a condition of this gain. Savings could be made before distribution of the national product to the community. Accumulation does not depend upon private ownership, said Sidgwick. The community could make the decision as to division of "produce" between saving and investment. "...all the 'saving' required could (emphasis Sidgwick's) be done without being paid for, if it were done by the community previous to the division of the produce." There are no principles of abstract equity that require the continuance of the existing system of distribution which first allows individuals to divide up the whole national income and then promises them future payments for saving. The only basis of objection is that a system that disappointed expectations might not be conducive to economic growth. "I object to socialism," he writes, "not because it would divide the produce of industry badly but because it would have so much less to divide."⁷⁹ Thus his objections to

socialism are moved away from considerations of abstract justice, to those of "economic" ones which are utilitarian.

The Principles of Economic Distribution

Sidgwick interpreted equity as "proportionment of the individuals' share of produce according to desert" which he understood to mean, according to marginal productivity in a situation of minimum inequality of opportunity. From the point of view of abstract justice removal of inequalities would be justified by the principle of equity only as a means to this primary end.

On the other hand, from an economic point of view, he interpreted the Jevonian utility principle to imply that the more equal distribution is the more economic. The principles that; 1) increase of wealth leads to increased happiness to its possessor, and 2) the resulting increase of wealth, but stands in a continually decreasing ratio to it led, according to Sidgwick, to the 'obvious' conclusion that "the more any society approximates to equality in the distribution of wealth among members, the greater on the whole is the aggregate of satisfactions which the society in question derives from the wealth it possesses."⁸⁰ Sidgwick is careful to point out that the above conclusion is subject to the conditions; 1) that national income is not affected by the change in distribution and 2) the change does not diminish the happiness of the community from other sources than increase of wealth. But at the same time, it is clear that he assumed as true the possibility of

interpersonal comparisons of utility as well as the diminishing marginal utility of wealth.

In fact, Sidgwick perceived that increased utility might lead to lower produce (national income) due to increased preference for leisure of those whose incomes had increased. Moreover, greater equality might reduce total savings. Even though under a socialist government, savings would not depend upon individuals, investment might not go up because government was not particularly enterprising.

Sidgwick also feared that culture, which he felt is a product of the leisure activities of the rich, would suffer from greater equality. And so, drastic and quick (revolutionary) reductions of equality were to be avoided.⁸¹

He viewed favorably a gradual movement towards government ownership of capital and control. Only consumers' capital would eventually be owned privately. His ideal seems to correspond to that of the German socialists (followers of Bernstein). Socialism is regarded as desirable because of the many defects of the *laissez faire* system both from the production and consumption points of view. But the desirable aspects of socialism would of necessity be based on the evolutionary nature of movement towards it. The ownership by government of all industry would remove all causes of inequality of income except the contribution of the services of labor, especially if the state financed education so as to make it available to all. Government fixing of wages could not be by reference to a market price of labor as no market for labor would exist outside of government. Therefore wages would have to be fixed by

estimating the amount necessary to stimulate adequately to the acquisition of the required qualifications and to compensate for any special outlay or sacrifices involved in such acquisition.

But Sidgwick could not entirely transcend the nineteenth century prejudices of bourgeois intelligentsia with regard to the moral character of the poor. His socialism had no place for "right to work" or "minimum wages," as they might erode the workers' incentive to work hard. Moreover, government enforcement of a minimum wage would clearly need to be supplemented by a government guarantee of employment and he was unready to accept both the financial burdens and disincentive effects involved. He did, however, endorse a tax on the employed to provide insurance for periods of unemployment.

Public Finance

Sidgwick's views on public finance show the same caution as exhibited in his espousal of evolutionary socialism. In the foreseeable future of his own country, he visualized government provision through manufacture of goods in competition with private industry as well as exclusive government production of goods where there was a danger of private monopoly. He thought that government monopoly is better than private monopoly. If the good produced by the government monopoly was a dangerous luxury, the pricing principle would be one of maximum gain. In other cases, some gain to the treasury would be the normal rule. Normally price should be what it would have been if the commodity or service had been produced by private industry. This could be a

competitive price. In such a case, the price might involve a subsidy to the buyers of the government produced product. As there would be no justification in equity for government to provide a bounty for such a special group, compensating adjustments should be made in the whole system of taxation. Sidgwick also considered the case of services to different classes of consumers such as provided by railways and regarded price discrimination based on differences of demand as legitimate.

Where government provision of services involved direct and measurable benefits to individuals, taxes should be on the basis of amount of services rendered. But since a large part of government expenditure is not of this kind, the equal sacrifice principle is appropriate for taxation, except so far as it is thought desirable to make taxation a means of redressing the inequalities of income that would exist apart from governmental interference.⁸² Sidgwick was however extraordinarily cautious about fully endorsing redistributive taxation because of its adverse impact on capital accumulation.⁸³ He did support the exemption of a minimum income from personal income tax as well as with considerable trepidation, progressive taxation of income. He had no such reservations about an inheritance tax as he did not think it had the same adverse effects on investment as taxes on income (even excluding savings). The limits of inheritance taxes should be decided on the basis of practical considerations of degree of evasion by gifts that was likely.

Political Economy and Private Morality

Sidgwick felt that the art of political economy is incomplete without some consideration of the principles that ought to govern private conduct in economic matters. And it was his conclusion that the "morality of common sense" discussed in detail in Chapter II had indeed been modified by economic considerations.

Firstly, economics has modified the view of charity by showing the circumstances under which charity is opposed to the interests of the community. Secondly, "Economic considerations," said Sidgwick, "have had an important part in defining the current conceptions of the more stringent duties of justice and equity."⁸⁴

As pointed out in Chapter II, the idea of justice is associated with precise claims for the nonfulfillment of which a man is liable to strong censure, if not to legal interference. Equity on the other hand is often beyond the sphere of legal intervention. But the demands of equity are equally pressing. One may not expect gratitude for being equitable but one should expect blame for not being equitable.

As was noted in Chapter II, there are claims determined by law independently of contract and claims arising out of contract--explicit or tacit. In addition, expectations arising out of custom may restrict the operation of contract or give rise to claims that are not of a contractual nature (claims of parents in children, etc.) or give rise to claims to reparation for damage inflicted. Usually, the exchange ideal is opposed to the sway of custom and economic discussions tend to invalidate quasi-moral obligations founded on custom pure and simple.

Thus laissez-faire economists in the 18th and 19th centuries, says Sidgwick, supported the idea of selling at the highest price even if the buyer were in an extremity but viewed competition as modifying this tendency. The competitive price was regarded as a "fair" or a "morally right" price. But economics does not and cannot condemn extortion in the sense of charging a price higher than competitive price or paying lower wages than needed for subsistence. Such a situation is characterized, Sidgwick remarks, as 'want of benevolence' rather than 'lack of justice.'

If competitive price is 'fair' price, monopoly price is to be disapproved but suggests Sidgwick, disapproval has not been great by economists who have merely praised the harmony of the system of natural liberty.

Sidgwick was troubled by the moral dilemma of capitalism, and the difficult question of reconciling the pursuit of material advantage with the need to find in individual work and living, social purpose and fulfillment. One is led to fundamental questions, he concludes:

Whether the whole individualistic organization of industry, whatever its material advantages may be, is not open to condemnation as radically demoralizing. Not a few enthusiastic persons have been led to this conclusion, partly from a conviction of the difficulty of demonstrating the general harmony of private and common interest even if we suppose a perfectly administered system of individualistic justice, partly from an aversion to the anti-social temper and attitude of mind, produced by the continual struggle of competition, even where it is admittedly advantageous to production. Such moral aversion is certainly an important, though not the most powerful element in the impulses that lead thoughtful persons to embrace some form of socialism. And many who are not socialists, regarding the stimulus and direction given by the existing individualistic system as quite indispensable

to human society as at present constituted, yet feel the moral need of some means of developing in the members of a modern community a fuller consciousness of their industrial work as a social function, to the welfare of the whole society--or at least of that part of it to which the work is immediately useful.⁸⁵

The dilemma is still present ninety years after Sidgwick wrote these words. He was certainly more pessimistic than his great contemporary, Alfred Marshall, whose faith in the consequences of economic growth for the shared ideals of human betterment in a society that he expected to grow more equalitarian, was more absolute.

Footnotes

¹Henry Sidgwick, Principles of Political Economy (London: Macmillan & Co., 1883), p. 8.

²Alfred Marshall, Principles of Economics, vol. I: Text (London: Macmillan and Co., 1961), Appendixes B and I, pp. 754-769.

³Henry Sidgwick, op. cit., pp. 22-23.

⁴Adam Smith, in the Introduction to Book IV of the Wealth of Nations writes: "Political economy, considered as a branch of the science of a statesman or legislator, proposes two distinct objects: first, to provide a plentiful revenue or subsistence for themselves; and secondly, to supply the state of commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign." Adam Smith, The Wealth of Nations (New York: The Modern Library, Random House, 1937), p. 397. Sidgwick argues that though the term 'Science' was used by Smith, the meaning attached to it was of an 'Art,' and political economy was regarded as modes of organized governmental interference with a view to enriching individuals and the state. Sidgwick, of course, recognized that Adam Smith in the manner in which he (Smith) demonstrated that noninterference of government in the economic life of the nation was the best means for enriching it, laid the foundations of economics as a science. It was, however, only under the combined influence of Senior and J. S. Mill that the distinction between economics as art and science came to be generally distinguished. For a succinct summary of the views of the classical British economists on method, see J. N. Keynes, The Scope and Method of Political Economy (London: Macmillan and Co., 1917), pp. 10-20.

⁵Henry Sidgwick, op. cit., p. 396.

⁶Sidgwick argues that "though we could measure all wealth at the same time and place by the ordinary standard of exchange value--i.e., money, still in comparing amounts of wealth at different times and places neither this nor any equally exact standard was available, and we were accordingly obliged to some extent to fall back on a necessarily more indefinite comparison of utilities." And no fundamental change of method is involved in extending use of estimates of utilities to the sphere of distribution (the art of political economy), H. Sidgwick, Principles of Political Economy (London: Macmillan and Co., 1883) pp. 396-397.

⁷Henry Sidgwick, *ibid.*, p. 400.

⁸Compare J. B. Clark: "The existence of any no-rent labor enables us to make the rent formula general and to apply it to every agent of production. Men, land and capital-goods of other kinds produce something that can be measured by this formula. The produce of anyone of them is the difference between what is created by the aid of it and what the same cooperating agents that are now combined with it could produce, if they were relegated to the position of marginal agents of their several kinds. This is one way of saying that the product of any agent is what it creates as a net income." J. B. Clark, The Distribution of Wealth (New York: Macmillan and Co., 1920), 351. Clark later argues that distribution based on marginal net product of productive agents is not only the condition of static efficiency but also sets the standard for dynamic efficiency. J. B. Clark, *ibid.*, pp. 399-430.

⁹For a specific refutation of Sidgwick's arguments in favor of political economy as an art, see J. N. Keynes, The Scope and Method of Political Economy (London: Macmillan and Co., 1917), pp. 36-58 and 81-83.

¹⁰Marshall, *op. cit.*, p. 47.

¹¹Marshall, *ibid.*, p. 763.

¹²Marshall, *ibid.*, p. 47.

¹³Marshall, *ibid.*, p. 43.

¹⁴Henry Sidgwick, *op. cit.*, p. 58.

¹⁵W. S. Jevons, The Theory of Political Economy (Harmondsworth, England: Penguin Books, 1970), p. 188.

¹⁶W. S. Jevons, *ibid.*, p. 192.

¹⁷Compare with Marshall who wrote "...we must constantly keep in mind the history of the terms which we use...we should yet be bound to keep our use of terms as much as possible in harmony with the traditions of the past." Principles of Economics, *op. cit.*, p. 51.

¹⁸Henry Sidgwick, *op. cit.*, p. 49.

¹⁹Francis Stewart and Paul Streeten, "Conflict between output and employment objectives in developing countries," Oxford Economic Papers 23 (July 1971):145-68.

- ²⁰Henry Sidgwick, op. cit., p. 150.
- ²¹Alfred Marshall, op. cit., p. 150.
- ²²Henry Sidgwick, op. cit., p. 152.
- ²³Henry Sidgwick, *ibid.*, p. 152.
- ²⁴Henry Sidgwick, *ibid.*, p. 73.
- ²⁵J. S. Mill, Principles of Political Economy, Vol. II (New York: The Colonial Press, 1900), p. 84.
- ²⁶Marshall, op. cit., Appendix I, p. 816.
- ²⁷Henry Sidgwick, op. cit., p. 61.
- ²⁸Alfred Marshall, Money Credit and Commerce (New York: Augustus Kelley, 1965), Appendix B, pp. 273-281.
- ²⁹Henry Sidgwick, op. cit., p. 66.
- ³⁰Compare Sidgwick: Principles of Political Economy, p. 78-95 and Marshall, Principles of Economics, p. 54-62.
- ³¹Marshall, Principles, p. 57.
- ³²Compare Marshall: "A special case of this" (The computation of net debt owed by foreigners so as to add it to national wealth-R.V.) is the organization of credit. It thus adds to national wealth." Marshall, Principles, footnote p. 60.
- ³³Marshall, *ibid.*, p. 57.
- ³⁴W. J. Jevons, op. cit., pp. 249-253.
- ³⁵Alfred Marshall, op. cit., p. 233.
- ³⁶Alfred Marshall, *ibid.*, p. 78. As well as for discussion of definitions of capital, Appendix E, pp. 785-790.

³⁷J. S. Mill, op. cit., vol. I, p. 161.

³⁸Henry Sidgwick, op. cit., p. 159.

³⁹Compare Marshall: "The accumulation of wealth is governed by a variety of causes: by custom, by habits of self-control and realizing the future, and above all by the power of family affection. Security is a necessary condition for it, and the progress of knowledge and intelligence furthers it in many ways. A rise in the rate of interest offered for capital, i.e. in the demand price for saving, tends to increase the volume of saving. For in spite of the fact that few people who have determined to secure an income of a certain fixed amount for themselves or their family will save less with a high rate of interest than with a low rate, it is a nearly universal rule that a rise in the rate increases or rather it is often an indication of an increased efficiency of our productive resources." Marshall, Principles of Economics, p. 236.

⁴⁰Henry Sidgwick, op. cit., p. 290.

⁴¹J. S. Mill, op. cit., vol. I, p. 419.

⁴²Jevons, op. cit., pp. 135 and 149.

⁴³Henry Sidgwick, op. cit., pp. 186-187.

⁴⁴Henry Sidgwick, *ibid.*, p. 189.

⁴⁵J. S. Mill, op. cit., vol. II, pp. 113-114.

⁴⁶Henry Sidgwick, op. cit., p. 224.

⁴⁷J. S. Mill, op. cit., vol. I, p. 428.

⁴⁸J. S. Mill, *ibid.*, p. 428.

⁴⁹J. S. Mill, *ibid.*, p. 439.

⁵⁰J. S. Mill, *ibid.*, vol. 2, p. 2.

⁵¹Henry Sidgwick, op. cit., p. 197.

⁵²Henry Sidgwick, *ibid.*, p. 197.

⁵³Henry Sidgwick, *ibid.*, p. 208.

⁵⁴Henry Sidgwick, *ibid.*, pp. 342-343.

⁵⁵Alfred Marshall, *op. cit.*, p. 13.

⁵⁶H. Sidgwick, *op. cit.*, p. 244.

⁵⁷Henry Sidgwick, *ibid.*, p. 245.

⁵⁸J. S. Mill, *op. cit.*, vol. 2, p. 154.

⁵⁹Alfred Marshall, *op. cit.*, pp. 592-593.

⁶⁰Henry Sidgwick, *op. cit.*, p. 285. Compare with Jevons "...whatever improvements in the supply of commodities lengthen their average interval between the moment when labor is exerted and its ultimate result or purpose accomplished, such improvements depend upon the use of capital." Jevons, *op. cit.*, p. 229.

⁶¹Henry Sidgwick, *op. cit.*, p. 286.

⁶²Henry Sidgwick, *ibid.*, p. 282.

⁶³Henry Sidgwick, *ibid.*, p. 295.

⁶⁴Henry Sidgwick, *ibid.*, p. 319.

⁶⁵Henry Sidgwick, *ibid.*, p. 323.

⁶⁶W. S. Jevons, *op. cit.*, pp. 188-212.

⁶⁷Henry Sidgwick, *op. cit.*, p. 373.

⁶⁸Henry Sidgwick, *ibid.*, p. 334.

⁶⁹Compare Mill: "...the fact that a course of instruction is required of even a low degree of costliness, or that the labor must be maintained for a considerable time from other sources, suffices everywhere to exclude the great body of laboring people from the possibility of any such competition" (of semi-skilled and skilled categories of

labor-R.V.). J. S. Mill, Principles of Political Economy, vol. I, p. 376. Marshall writes: "The professional classes especially, while generally eager to save some capital for their children, are even more on the alert for opportunities of investing in them...but in the lower ranks of society...the slender means and education of the parents, and the comparative weakness of their power of distinctly realizing the future, prevent them from investing capital in the education and training of their children...." Marshall, op. cit., p. 562.

⁷⁰Henry Sidgwick, op. cit., p. 338.

⁷¹Alfred Marshall, op. cit., p. 698.

⁷²Henry Sidgwick, op. cit., p. 412.

⁷³Henry Sidgwick, *ibid.*, pp. 464-465.

⁷⁴Henry Sidgwick, *ibid.*, pp. 412-413.

⁷⁵Henry Sidgwick, *ibid.*, p. 414.

⁷⁶Henry Sidgwick, *ibid.*, p. 500.

⁷⁷Henry Sidgwick, *ibid.*, p. 501.

⁷⁸Henry Sidgwick, *ibid.*, p. 506.

⁷⁹Henry Sidgwick, *ibid.*, p. 516.

⁸⁰Henry Sidgwick, *ibid.*, p. 506.

⁸¹Similar arguments have always been made by the rich who interpret culture as the exclusive creation of the upper classes and see in popular culture the end of all 'culture.'

⁸²Henry Sidgwick, *ibid.*, p. 519.

⁸³Compare Keynes: "...up to the point where full employment prevails, the growth of capital depends not at all on a low propensity to consume but is, on the contrary held back by it.... Thus our argument leads towards the conclusion that in contemporary conditions the growth of wealth, so far from being dependent on the abstinence of the rich, as

is generally supposed, is more likely to be impeded by it." J. M. Keynes, The General Theory of Employment, Interest and Money (New York: Harcourt, Brace and World, 1965), p. 373.

⁸⁴Henry Sidgwick, op. cit., p. 581.

⁸⁵Henry Sidgwick, Principles of Political Economy (London: Macmillan and Co., 1883), pp. 589-90.

CHAPTER IV. SIDGWICK'S ECONOMIC ETHICS AND MODERN
VIEWS ON SOCIAL JUSTICE

The significance of Sidgwick's application of his moral philosophy to economics and political theory makes him an important precursor of neoclassical welfare economics, the author of "the last comprehensive attempt to restate the principles of a free society in the Elements of Politics."¹ He is also the expositor par excellence of a utilitarianism which at least until the publication of John Rawl's A Theory of Justice was the starting point of all discussions of social justice. This chapter summarizes the developments from utilitarianism into modern welfare economics, the controversy in recent years over the implicit contradiction between freedom and the utilitarian goal of maximizing aggregate or average utility in a given society and the recent important attempts to find an alternative doctrine by John Rawls and Friedrich Von Hayek.

In moral philosophy, utilitarianism as well as other theories faced a major challenge from the publication of Tractatus Logico-Philosophicus by Wittgenstein in 1922, from the leadership of Moritz Schlick of the school that came to be called the "Vienna Circle" and from the logical positivism of R. Carnap, A. J. Ayer, and Bertrand Russell. The development of Freudian psychoanalysis and the sociology of Vilfredo Pareto and Karl Mannheim reinforced this attack in terms of generating what may be called ethical skepticism.² In economics, the impact of logical positivism has been very great, leading to acute controversies not only between libertarians, liberals and Marxists but also among the

libertarians and continues to persist.³ Logical positivism as a philosophical method is in eclipse in philosophy.⁴ In ethics, with much dissatisfaction with both the 'Act' and 'Rule' utilitarian versions (explained later) of utilitarianism, it remained more or less dominant at least until the publication of John Rawl's A Theory of Justice.

Sidgwick as Precursor of Welfare Economics

In the history of economic thought, Sidgwick deserves a place, as Hla Myint has pointed out, "as a senior contemporary rather than a disciple of Marshall."⁵ We have noted in the previous chapter that he anticipated Keynes. In his consciousness of the failures of laissez-faire and the importance he attached to such failures, he was unique in his time, especially as a member of the classical school of economics. Professor Myint has also said about Sidgwick,

He was the first to stress that far reaching distinction between the Production and the Distribution Welfare Economics. He also initiated the neo-classical method of concentrating on concrete exceptions to the general principle of free competition. Thus most of Professor Pigou's famous cases of divergences between the social and the private net products may be paralleled in Book III of the Principles.⁶

My Chapter III has summarized these contributions.

Sidgwick, and Marshall after him, entered as pragmatists into the battle between the classical economists (Adam Smith, Ricardo, etc.) who viewed perfect competition as the setting for a dynamic expansion of economic activity (free rein to individual initiative, widening the area of the market, expansion of division of labor in the setting of growing population and widening technological possibilities) and the

utility economists (Jevons, Walras, Menger and J. B. Clark) who conceived of perfect competition as a theoretical model of general equilibrium under ideal conditions. Sidgwick's economics was a common sense economics that would yield practical results relevant to reforming the existing system towards a more just society. He was conscious of the concrete cases of the exceptions to the principle of competition as well as of the importance of the institutional framework of competition for increasing production. He was not prepared to regard forces like population change and the technical aspects of production as exogenous to the 'primary' (in the opinion of the marginal utility school) problem of the efficiency of market forces in allocating given resources. Sidgwick, moreover, was never prepared to forego consideration of "utilities not embodied in matter" in the interests of concentrating on the problem of maximizing material wealth. Since he came to his interest in economics from an interest in the relevance of utilitarianism to establish the norms of justice, he was profoundly interested in the problem of distribution.

As we have seen in summarizing his economics, Sidgwick was aware of the difficult methodological problems encountered in examining the issue of ideal distribution of wealth. His argument for political economy as an art rested precisely on the need to move beyond the precision area of quantitative measurements to the penumbra region where we have to make vague and uncertain balancings of different quantities of happiness. And he did not therefore hesitate in coming to the view that "a more equal distribution of wealth tends prima facie to increase

happiness."⁷ It is true that because of his awareness of production and distribution as integrally interrelated parts of the economic process which together determined the aggregate product as well as its composition, he was reluctant to endorse any radical measures of income redistribution. As we saw in the previous chapter, he hesitated to endorse even progressive taxation because of possible adverse consequences to production. But where he felt that effects on production might not be so great, as in limiting the rights of inheritance, he was prepared to go further.

In terms of the marginal utility concept, Sidgwick admitted the cardinal measurability and interpersonal comparability of utility and concluded that redistribution of income would in fact maximize the utility of society, which he regarded as an ethically desirable goal.⁸

The attacks on this utilitarian prescription for reform came from two sides, the positivist rejection of the acceptability of interpersonal utility comparisons which led to the increasing dominance of the Pareto criterion, and the objection from neo-utilitarians who saw some version of average utility as a better criterion for just distribution than the maximization of aggregate utility criterion.

Pareto rejected a "non-scientific" sociology and in his search to introduce a scientific conception of welfare, was led to the now famous criterion for optimality which states that any situation is optimal if all moves from it result in someone being worse off. As has often been pointed out, since the subset of choice situations where a movement from one to another constitutes an unambiguous improvement in the Paretian

sense is extremely small, it is overly restrictive. A few economists like Buchanan would restrict themselves to the strict Pareto criterion. Buchanan, in fact, would restrict himself further because, as he points out,⁹ welfare economics assumes "omniscience in the observer" in the sense that the observing economist is able to read individual preferences and such an assumption is not acceptable. No social scale can be constructed. Only individual values exist as revealed through behavior. Therefore, the economist can only employ a "presumptive efficiency" criterion based on an estimate of his subjects' value scales. A specific change proposed on the basis of such a presumptive efficiency criterion would then be in the nature of a hypothesis which would be proved right or wrong according to whether or not it is accepted either by consensus or a modified unanimity principle.¹⁰

Other avenues which have sought to overcome the limitations of the unanimity criterion are the Hicks-Kaldor-Scitovsky compensation principle and the Bergson-Samuelson social welfare function approach.¹¹

Even though the compensation principle¹² has been sought to be applied in modern cost-benefit analysis, there is considerable dissatisfaction with it. Rowley and Peacock point out in their recent work

If transfers of income were costless, and if the process of identifying other collections of goods on the same community indifference curves also was costless, there would be no need to invoke the hypothetical compensation criterion, since direct comparisons could be made and the appropriate Paretian judgements could be implemented. In the absence of such conditions, hypothetical compensation becomes a treacherous instrument, not least because of the problem of ensuring that those affected by the adjustment correctly reveal their preferences.¹³

Mishan has also demonstrated¹⁴ that even in the seemingly clear case where one collection has more of any good than an alternative collection, the compensation test approach results in contradictable alternatives that cannot be ranked by reference to allocative criteria and therefore need the introduction of distributional considerations.

As Samuelson has rigorously demonstrated¹⁵ the social welfare function is free from the objections to the compensation principle, as a ranking of all social states should be possible and it is only required that the relations between these should be transitive and that the function need only be ordinally defined. Certainly, this approach permits economists to resolve the Paretian dilemma by choosing welfare functions in which the Policymakers' preferences as between different income distributions are specified. At any rate, the preferences of a representative ruling group with regard to preferred income distributions are expressed as a value judgement and in a democratic framework may be rejected or accepted. (Admittedly, this approach skirts the problem of aggregation of individual welfares into social welfare, by leaving it to the political institutions of society to generate a consensus on goals which is then viewed as the basis of the social welfare function.) Boulding's comment¹⁶ on the importance of making value judgements explicit is pertinent:

One can dismiss fairly curtly the idea of a wertfrei system of evaluation; it is obviously preposterous to suppose that one can set up criteria for judgement which are somehow independent of ethical norms. Indeed, as we have seen, the ethical judgements involved in the Hicks-Kaldor variety of Welfare Economics--that people should get what they want and that trading is ethically neutral--are not merely ethical judgements but practically indefensible ones. In this

respect the welfare economics of the Bergson-Samuel type which postulated a general social welfare function is on much safer ground even though its conclusions grow more nebulous as they become more general.

Contemporary Utilitarianism

It would be useful at this point to briefly summarize some developments in utilitarianism in the fifties which led to the ethical theory of rule-utilitarianism. G. E. Moore had interpreted utilitarianism, at the beginning of this century as "act-utilitarianism"--"the view that the rightness or wrongness of an action is to be judged by the consequences, good or bad, of the action itself."¹⁷ The act-utilitarian view prevailed for almost a half century.¹⁸ An early attempt to revise act-utilitarianism into rule-utilitarianism was that of R. F. Harrod in "Utilitarianism Revised."¹⁹ Smart defines rule-utilitarianism as "the view that the rightness or wrongness of an action is to be judged by the goodness and badness of the consequences of a rule that everyone should perform the action in the circumstances."²⁰

J. O. Urmson, in an influential article formulated an explicit version of rule utilitarianism in interpreting J. S. Mill as a rule-utilitarian.²¹ The main objection to the act-utilitarian version of utilitarianism arises from the belief that it conflicts with the claims of justice. A strong case for such a view was made by John Rawls in an early paper.²² Rawls distinguishes between justifying a "practice" ("any form of activity specified by a system of rules which defines offices, roles, moves, penalties, defenses, and so on and which gives the activity its structure")²³ and justifying a particular action

falling under it. Taking as an example the retributive (wrongdoing merits punishment) and utilitarian views of punishment ("punishment is justifiable only by reference to the probable consequences of maintaining it as one of the devices of the social order")²⁴ Rawls suggests that while the utilitarian agrees that punishment is to be inflicted only for the violation of the law, the difference between the utilitarians and retributivists is that utilitarianism seeks to limit the use of punishment only to cases where it can be shown to foster effectively the good of society. This, according to Rawls, raises the question whether the utilitarian in justifying punishment in terms of future consequences "hasn't used arguments which commits him to accepting the infliction of suffering on innocent persons if it is for the good of society."²⁵ Therefore, an additional principle which distributes rights to certain individuals has to be added to the simple utilitarian criterion, that of the greatest benefit to society subject to the constraint that no one's rights may be violated.

It is therefore essential, says Rawls, to specify a general system of rules which are logically prior to particular cases and define offices, moves and offenses--in other words, set up a structure which involves the abdication of full liberty to act on utilitarian and prudential grounds. These rules would be publicly known and regarded as definitive. Rawls concludes that where there is a practice, it is the practice itself that must be the subject of the utilitarian principle. In a later section of this chapter, we shall note that Rawls later abandoned even this concept of utilitarianism as unsatisfactory.

Another aspect of the dissatisfaction with utilitarianism was the utilitarian formula "the greatest good of the greatest number." C. D. Broad puts the objection aptly:

If utilitarianism be true, it would be one's duty to try to increase the numbers of a community, even though one reduced the average total happiness in the members, so long as the total happiness in the community would be in the least increased. It seems perfectly plain to me that this kind of action, so far from being a duty, would quite certainly be wrong.²⁶

Sidgwick did indeed recognize that the maximum utility principle subordinated the question of justice to that of aggregate happiness.

"It is evident," he wrote, "that there are many different ways of distributing the same quantum of happiness among the same number of persons, in order, therefore, that the utilitarian criterion of right conduct may be as complete as possible we ought to know which of these ways is to be preferred.... Now, the utilitarian formula seems to supply no answer to this question: at least, we have to supplement the principle of seeking the greatest happiness on the whole by some principle of just or right distribution of this happiness. The principle which most utilitarians have either tacitly or expressly adopted is that of pure equality as given in Bentham's formula: everybody to count for one and nobody for more than one."²⁷

However, Sidgwick brings in the question of distribution only where there appears to be "no cognizable difference between the quantities of happiness involved in two sets of consequences respectively."²⁸ In other words, the distribution criterion is not to be employed where there is a clear and obvious difference between two amounts of total happiness. This is precisely the point about utilitarianism that Rawls attacks. According to Rawls, utilitarianism postulates that

Society must allocate its means of satisfaction whatever these are, rights and duties, opportunities and privileges, and various forms of wealth so as to achieve this maximum if it can. But in itself no distribution of satisfaction is

better than another except that the more equal distribution is to be preferred to break ties.²⁹

On a charitable interpretation of Sidgwick, it is possible to suggest that Sidgwick had in mind the distribution principle as an additional choice criterion. But if this is so, it is legitimate to argue as Rescher does that the introduction of a new type of consideration, just distribution, "requires systematic coordination with the principle of utility. To hold Sidgwick's position consistently requires not a supplementation, but an abandonment (emphasis Rescher's) of classical one-track utilitarianism."³⁰ Actually, the following quote from Sidgwick clearly suggests that he rejected the principle of maximization of average utility generally

"...if we take utilitarianism," he wrote, "to prescribe, as the ultimate end of action, happiness on the whole, and not any individual's happiness, unless considered as an element of the whole, it would follow that, if the additional population enjoy on the whole positive happiness, we ought to weigh the amount of happiness gained by the extra number against the amount lost by the remainder. So that, strictly conceived, the point up to which, on utilitarian principles, population ought to be encouraged to increase, is not that at which average happiness is the greatest possible,--... but that at which the product formed by multiplying the number of persons living into the amount of average happiness reaches its maximum."³¹

The Average Utility Principle

Professor J. C. Harsanyi in two seminal articles³² has argued for both a restoration of value judgements of a certain class and of cardinal utility.

"Value judgements concerning social welfare," he writes, are a special class of judgements of preference, in as much as they are non-egoistic impersonal judgements of preference...

a value judgement on the distribution of income would show the required impersonality to the highest degree if the person who made this judgement had to choose a particular income distribution in complete ignorance of what his own relative position (and the position of those near to his heart) would be within the system chosen. This would be the case if he had exactly the same chance of obtaining the first position (corresponding to the highest income) or the second, or third, up to the last portion (corresponding to the lowest income) available within that scheme."³³

The above passage is a remarkable anticipation of one of the elements of the contractarian view that Rawls was later to espouse. Harsanyi conceives that the above choice is clearly a choice involving risk so that "the cardinal utility maximized in value judgements concerning social welfare and the cardinal utility maximized in choices involving risk may be regarded as being fundamentally based on the same principle."³⁴ In his 1955 paper, Harsanyi proves the above on the basis of the Van Neumann-Morgenstern-Marschak postulates. He thus arrives at a "Cardinal Social Welfare Function equal to the arithmetic mean of all individuals in the society (since the arithmetical mean of all individual utilities gives the actuarial value of his uncertain prospect, defined by an equal probability of being put in the place of any individual in the situation chosen)."^{35,36}

Rawls objects to Harsanyi's way of estimating probabilities.

"This question arises," he writes, "because there seems to be no objective grounds in the initial situation for assuming that one has an equal chance of turning out to be anybody. That is, this assumption is not founded upon known features of one's society."³⁷

The question hinges on the use of subjective probabilities in the absence of empirical probabilities estimated on the basis of empirical facts.³⁸

Harsanyi defends the utilitarian principle on the basis that in those cases where the maximin principle (explained later) will lead to reasonable decisions, it is essentially equivalent to the expected utility maximization principle in the sense that the policies suggested by the former will yield expected utility levels as high as the policies suggested by the latter would yield. But he writes,

In cases where the two principles suggest policies very dissimilar in their consequences so that they are far from being equivalent, it is always the expected utility maximization principle that is found on closer inspection to suggest reasonable policies, and it is always the maximin principle that is found to suggest unreasonable ones.³⁹

Two examples are cited. A society consists of a doctor with two patients, A and B, critically ill with pneumonia. There is enough antibiotic for only one patient. Of the two patients, A is basically healthy whereas B has terminal cancer whose life would be extended by several months if he was treated with the antibiotic. By the maximin principle, the doctor would treat B with the antibiotic whereas by the utility principle, the doctor would treat A. Harsanyi defends the latter choice as morally more acceptable. Similarly, if it came to a choice between spending money to educate a retarded person who would benefit little from it and a brilliant person who would benefit a great deal, the maximin principle would finance the retarded person whereas Harsanyi would help the brilliant person.

I confess that in the above set of moral choices, I would opt for Rawls rather than Harsanyi because the healthy, able people are better able to help themselves, have been the recipients of advantages both by nature (genetically), environmentally (family upbringing, etc.) and by

history, whereas the Rawlsian would correct inequalities which are not inherent but derived from precisely the kind of elitist utilitarianism of Harsanyi. Rawls bases his defense on the Kantian principle of "treating one another not as means only but as ends in themselves."⁴⁰

Nicholas Rescher,⁴¹ assuming cardinal utility and the validity of interpersonal utility comparisons, discards the total utility principle for what he calls "an effective average" equal to average utility minus half the standard deviation from the average (subject to the condition that the effective average is equal to greater than half the average). Since the effective average equals average minus half the standard deviation, the condition amounts to the standard deviation being less than or equal to the average. He defends this criterion because "it can underwrite the preferability of one distribution to another without requiring that the preferred distribution be a Pareto improvement on its competitor."⁴² He adds that it would support the seemingly competing intuitions as to the nature of distributive justice, of Professor Tawney; 1) that in certain cases, inequalities can pay for themselves by resulting in a situation that conduces to the general good and 2) that "a lower average income with greater equality, may make a happier society than a higher average income with less."⁴³

Classical Utilitarianism and the Question of Liberty

Rawls has another fundamental objection to the maximum utility criterion in that it might violate the principle of liberty.

"Thus there is no reason in principle," he writes, "why the greater gain of some should not compensate for the lesser losses of others, or more importantly, why the violation of liberty of a few might not be made right by the greater good shared by the many."⁴⁴

Utilitarians adopt for society as a whole the principle of rational choice for one man, thus necessitating an "impartial spectator"--a concept in modern welfare economics to which Buchanan, as we have seen, also objects.⁴⁵ Thus Rawls raises the fundamental issue of freedom versus authoritarianism, in the application of the utility principle in political economy. "Utilitarianism does not take seriously the distinction between persons," he suggests.⁴⁶ He therefore opts for the primacy of justice which takes as given and inviolable basic liberties "...the rights secured by justice are not subject to political bargaining or to the calculus of social interests," he asserts.⁴⁷ He concedes that utilitarians as individuals recognize the importance of liberty but argues that in principle, it implies the primacy of an individual's right to choose for society, in its name.

"It is customary to think of utilitarianism as individualistic," he points out, "and certainly there are good reasons for this. The utilitarians were strong defenders of liberty and freedom of thought, and they held that the good of society is constituted by the good of individuals. Yet the utilitarianism is not individualistic at least when arrived at by the more natural courses of reflection, in that, by conflating all systems of desires, it applies to society the principle of choice for one man."⁴⁸

In fact, as Rawls recognizes, J. S. Mill argued that the principle of utility supports freedom⁴⁹ but he is of the opinion that Mills' view guarantees equal liberties only under favorable conditions.

"One must suppose," he writes, "a certain similarity among individuals, say their equal capacity for the activities and interests of men as progressive beings, and in addition, a principle of the diminishing marginal value of basic rights when assigned to individuals. In the absence of these presumptions, the advancement of human ends may be compatible with some persons being oppressed, or at least granted but a restricted liberty."⁵⁰

But Rawls himself, as we shall see in subsequent pages, assumes that his principles of justice apply only to presently developed societies. If, then we restrict our attention to the latter, it would seem legitimate and realistic to assume that the tradition of liberty is sufficiently strong to permit policies based on a distributive principle which weights such canons of distributive justice as equality (treatment as equals), needs, ability or merit, achievements, effort and sacrifice, contribution to the public interest and valuation according to the market principle⁵¹ without infringing on liberty itself. The problem may not be so complex if the weighting is performed by the political representatives of the population, in a constitutional democratic framework wherein the preferences of the population are revealed by the voting process.⁵²

Sidgwick himself was emphatic that a good system of legislation ought first of all to impose on the government the obligation not to abridge the fundamental rights of individuals such as the right to freedom of speech and of the press, the right to freedom of assembly, free exercise of religion. He called these rights constitutional rights as

distinct from civil rights.⁵³ With regard to the laws defining the primary civil rights of citizens, the first principle according to Sidgwick should be that "laws ought to be just or not unjust"⁵⁴ not only in the sense of just administration of laws but also in the sense that all arbitrary inequality is to be excluded ("that persons in similar circumstances are to be treated similarly; and that so far as different classes of persons receive different treatment from the legislator, such differences should not be due to any personal favor or disfavor with which the classes in question are regarded by him").⁵⁵ The second principle for right legislation to be distinguished from wrong is conduciveness to the general "good" or "welfare" interpreted as maximum happiness.

But this still leaves open the question of the scope and limits of government with regard to civil rights.

When we have agreed to take general happiness as the ultimate end, the most important part of our work still remains to be done. We have to establish or assume some subordinate principle or principles, capable of more precise application, relating to the best means for attaining by legislation the end of maximum happiness.⁵⁶

In deriving these subordinate principles, Sidgwick rejects the paternalist view that the state may exercise legal control in the interest of the person controlled" "We are all agreed," he writes, "that in the main, the coercion of law is and ought to be applied to adult individuals in the interest primarily of other persons."⁵⁷ He examines in detail individualism, the doctrine that

What one sane adult is legally compelled to render to others should be merely the negative service of noninterference, except so far as he has voluntarily undertaken to

render positive services; provided that we include in the notion of noninterference, the obligation of remedying or compensating for mischief intentionally or carelessly caused by his acts--or preventing mischief that would otherwise result from some previous act.⁵⁸

As we have seen in Chapter II, Sidgwick denies that the principle of individualism can justify the institution of private property. The latter can be justified only on the basis of utilitarianism to the extent it acts as an incentive to production. But even utilitarianism does not justify the appropriation by private individuals of natural resources in a situation of scarcity (when appropriation by one means nonavailability to another).⁵⁹ In a detailed examination from an individualistic-utilitarian point of view of a variety of issues such as social relations, property, contract, remedies for wrongs, prevention of mischief,⁶⁰ he defends his proposals for socialistic interference ("the requirement that one sane adult, apart from contract or claim to reparation, shall contribute positively by money or services to the support of others...I also apply this term to any limitation on the freedom of action of individuals in the community at large, that is not required to prevent interference with other individuals, or for the protection of the community against the aggression of foreigners")⁶¹ as follows:

Now no one who, under the guidance of Adam Smith, and others, has reflected seriously on the economic side of social life can doubt that the motive of self-interest does work powerfully and continually in the manner indicated; and the difficulty of finding any substitute for it, either as an impulsive or as a regulating force, constitutes the chief reason for rejecting all large schemes for reconstructing social order on some other than its present individualistic basis. The socialistic interference for which...I propose to offer a theoretical justification is here only recommended as a

supplement and subordinate element in a system mainly individualistic.^{62,63}

Sidgwick also goes on to establish on a theoretical basis the incorrectness of the conclusions of the "extreme advocates of a system of natural liberty" by a detailed consideration of the failures of a system of competition such as were outlined in Chapter III.

Sidgwick's argument for greater governmental action is thus extremely cautious. He concludes that even where laissez faire leads to a clearly unsatisfactory result, its (governmental interference) expediency has to be decided in any particular case by a careful estimate of advantages and drawbacks, requiring data obtained from special experience."⁶⁴ I have dwelt at length with Sidgwick's views of the relationship between utilitarianism and liberty to suggest that his cautious gradualism is not only a matter of personal temperament but a direct result of the quantitative marginal calculus of utilitarianism. The fears expressed about the potential of utilitarianism as a force against liberty seem to me to essentially emanate from the totalitarian phenomenon of the twentieth century. The projection to the, at best, half-hearted evolutionary socialism of Sidgwick's utilitarianism, of the dangers seen in Leninist socialism, is perhaps symptomatic of the trauma of contemporary experience rather than of any danger stemming from the utilitarian philosophy itself, if its undergirding by the guarantees of constitutional and civil rights (as in Sidgwick) is given due importance.

Admittedly, the above is not a satisfactory rebuttal of Rawls from a theoretical point of view because utilitarianism does not in fact take an absolutist view of liberty. From an ideal point of view, one may, as

Rawls does, make liberty a prior condition for justice. But from a practical point of view, it may well be that the cautious marginalism of Sidgwick is a surer guarantee of liberty, at least in developed societies, than the fears of perfectionist utopias would seem to suggest. In a brilliant study of utopia and revolution, Melvin Lasky suggests with much historical evidence that the dream of utopia has led to more erosion of freedom in the past than the gradualism of the reformist.⁶⁵ And it seems to me, that Sidgwick's utilitarianism is of the stuff of prudence of the reformist rather than of the passion of an idealist utopian.

Utilitarianism and Justice

One of the reasons that utilitarians were dissatisfied with utilitarianism was because it conflicts with justice. Even taking as one's starting point rule-utilitarianism, it is not clear that a set of rules which enable society to maximize utility would necessarily be just. If conformity to rules did not produce just actions, they could not be right. And the rules would have to be supplemented to ensure their justice. Sidgwick recognized this

...I think the wider and no less usual sense of the term justice in which it includes equity or fairness, is the only one that can be conveniently adopted in an ethical treatise; for in any case where equity comes into conflict with strict justice, its dictates are held to be in a higher sense just
 ...I treat equity, therefore, as a species of justice....⁶⁶

There is a difficulty here which is that if equity is to be a consideration that prevails over utilitarian considerations, utilitarianism as the supreme principle ceases to prevail.

Rawls makes an important point in this regard. In utilitarianism, the satisfaction of any desire has some value in itself and this would count in deciding what is right.

Thus if men take a certain pleasure in discriminating against one another, in subjecting others to a lesser liberty as a means of enhancing their self-respect, then the satisfaction of these desires must be weighed in our deliberations according to their intensity, or whatever along with other desires. If society decides to deny them fulfillment, or to suppress them, it is because they tend to be socially destructive and a greater welfare can be achieved in other ways.⁶⁷

And it is precisely because utilitarianism puts the good (happiness) before the right, that Rawls feels that his view of justice is superior. As he puts it, in justice as fairness, the concept of right is prior to that of the good.

Rawls' Theory of Justice

There is no doubt that the most formidable challenge to the utilitarianism of Sidgwick to date is that of John Rawls. John Rawls' Theory of Justice is of course much more than a critique of utilitarianism. It is actually a more or less complete philosophical structure that stands as an enormously impressive intellectual achievement of our times. The Theory of Justice is of course the fruit of about twenty years of intellectual development in which the author moved from a somewhat utilitarian view to a full contractarian view. Robert Paul Wolff has recently reviewed⁶⁸ the development of Rawls' theory through three stages as exemplified in his paper entitled "Justice as Fairness" which appeared in the *Philosophical Review* in 1958, through the 1967 article "Distributive Justice" which appeared in Laslett and Runciman's

Philosophy, Politics and Society (Third Series) to The Theory of Justice. He has examined the three models and the changes made from one model to another by Rawls in response to criticism. What I propose to do therefore is to briefly summarize the Rawlsian theory of justice in comparative fashion with Sidgwick's utilitarianism. The task is made simple by the fact that this is precisely what Rawls does throughout The Theory of Justice. He juxtaposes his principles against those of utilitarianism. Brian Barry, in an interesting comparison of Sidgwick and Rawls, writes,

We might represent Rawls as being to Kant as Sidgwick was to Hume and Bentham. Sidgwick turned the off hand references of Hume and Bentham to utility into a fully elaborated and carefully applied system. Similarly, Rawls may be conceived as putting into a rigorous and fully developed form the ideas of the utilitarian's main rivals, the men Rawls himself calls the contract theorists.⁶⁹

As a matter of fact, there are many great similarities in the approaches of Sidgwick's Methods of Ethics and Rawls' Theory of Justice.⁷⁰

Rawls believes that the primary subject of justice is the basic structure of society, "the way in which the major social institutions distribute fundamental rights and duties and determine the division of advantages from social cooperation."⁷¹ By institutions, he means the political constitution and the principal economic and social arrangements. Rawls limits his discussion of the principles of justice to what he calls "a well-ordered society"--a society in which everyone is "presumed to act justly and to do his part in upholding just institutions."⁷² His interest is in setting up a concept of ideal justice. In order to do this, he visualizes a state of nature which he endows with

particular characteristics suitable to deriving appropriate principles which all in the state of nature would agree to be the meaning of justice. The most important assumption is that of "the veil of ignorance."

Rawls describes it as follows:

Among the essential features of this situation is that no one knows his place in society, his class position or social status, nor does anyone know his fortune in the distribution of natural assets and abilities, his intelligence, strength and the like. I shall even assume that the parties do not know their conception of the good or their special psychological propensities. The principles of justice are chosen behind a veil of ignorance.⁷³

It is because people are not advantaged or disadvantaged in their choice of principles, that Rawls refers to the ensuing principles as "justice as fairness." The parties in the original position are regarded as rational (taking the most effective means for given ends) and not taking an interest in one another's interests.⁷⁴

What principles would the parties in the initial situation choose behind the veil of ignorance? Rawls' first approximation of these rules is as follows:

First, each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others. Secondly, social and economic inequalities are to be arranged so that they are both, a) reasonably expected to be everyone's advantage and b) attached to positions and offices open to all.⁷⁵

The ordering between the first and second principles is lexicographic.

It means that a departure from the institutions of equal liberty cannot be justified by greater economic or social advantages. Both these principles are regarded as a special case of a more general principle:

All social values--liberty and opportunity, income and wealth, and the bases of self-respect--are to be distributed equally unless an unequal distribution of any, or all, of these values is to everyone's advantage.⁷⁶

If "equally open" is interpreted to mean careers are open to talents (i.e. positions are open to those able and willing to strive for them) and is combined with the principle of efficiency (Pareto optimality applied to the basic structure of society)⁷⁷ one gets the system of "natural liberty." The system of distribution that ensues from such a system would then be regarded as "fair" within the norms of the system. The "fairness" we ascribe to the system involves our acceptance as just not only of the results of the competition that ensures that income and wealth are distributed in an efficient way but also of the initial distribution of income and wealth, and of natural talents and abilities.

If "equally open" is interpreted to mean equality of opportunity and is combined with the principle of efficiency, one gets a system of "liberal equality." The liberal system recognizes the arbitrary nature of the cumulative effect of prior distributions of natural talent, abilities and other assets in the existing unequal distribution of income and wealth and tries to correct for it by adding to the conditions of careers open to talents the further condition of fair equality of opportunity for all.

Rawls recognizes that welfare economists generally postulate that the principle of efficiency cannot serve alone as a criterion of justice. Rawls therefore postulates "the difference principle" which requires that social and economic inequalities be arranged so as to

benefit the least disadvantaged, at the same time that they are attached to offices open to all under conditions of equality. A combination of equality defined as equality of opportunity combined with the difference principle would yield what Rawls calls "democratic equality." Rawls would build these principles of "democratic equality" into the social system so that the question of distributive shares becomes a matter of pure "procedural justice"--the ensuring of a fair procedure such that the outcome is fair provided the procedure has been followed. Rawls then examines the structural characteristics of a just system of institutions such as a political constitution which guarantees the liberties of equal citizenship, the nature of the restraints on liberty (liberty may be restrained only in the interests of liberty), liberty of conscience, etc.⁷⁸

Why would people in the original position choose the two principles? Rawls' answer is that there is "an analogy between the two principles and the maximin rule for choice under uncertainty. This is evident from the fact that the two principles are those a person would choose for the design of a society in which his enemy is to assign him his place. The maximin rule tells us to rank alternatives by their worst possible outcomes: we are to adopt the alternative the worst outcome of which is superior to the worst outcomes of the others. The persons in the original position do not of course

...assume that their initial place in society is decided by a malevolent opponent...they should not reason from false premises. The veil of ignorance does not violate this idea, since an absence of information is not misinformation. But that the two principles of justice would be chosen if the parties were forced to protect themselves against such a

contingency explains the sense in which this conception is the maximin solution.^{79,80}

An important question is, if the people in the original position do not know what they want, how will they choose? Rawls answers this question by his "thin theory of primary goods." Primary goods are defined as goods any rational person would want to have--"rights and liberties, opportunities and powers, income and wealth."⁸¹ The least advantaged in society are identifiable because the index of well-being and the expectations of "representative men" of various groups can be specified in terms of primary goods.⁸² The "representative person" needs to be defined. Rawls' problem is one of identifying different classes of persons--most disadvantaged, less disadvantaged, etc. He does not use for this purpose the concept of class or income groups. Instead, he postulates the concept of "the representative person." He defines such a person as follows:

I suppose, then, that for the most part each person holds two relevant positions: that of equal citizenship and that defined by his place in the distribution of income and wealth. The relevant representative men, therefore, are the representative citizen and those who stand for the various levels of well-being.⁸³

Rawls recognizes that it is not quite satisfactory to identify these individuals by their levels of income and wealth. He has to make a further assumption that these primary goods will be sufficiently correlated with those of power and authority to avoid an index problem. A certain arbitrariness would still remain in identifying "the representative person."

This assumption is not necessarily valid. The same difficulties of operationalizing the concept of class would at a minimum face anyone attempting to operationalize the concept of a "representative" person, especially, if one takes into account besides levels of income and wealth, power and influence.

Utilitarianism and Rawls' Contract Theory Compared

We have already considered some objections to the utilitarian view advanced by Rawls such as that considerations of justice and right are subordinate to those of good or utility, that the aggregate utility principle ignores the distribution problem, and that the average utility principle is also inferior to the difference principle because of the former's way of estimating probabilities.⁸⁴ Because the classical utilitarian is indifferent as to how a constant sum of benefits is distributed, the utilitarian distribution for the worst off would be worse than the distribution yielded by the difference principle. He offers a geometric proof of this assertion for a two person case assuming interpersonal comparison of cardinal utility.⁸⁵

An important point against the principle of utility adduced by Rawls is that not everyone benefits in the system, some having to forego greater advantages in the interests of the whole. This would lead to instability of the social system. The concept of stability of the structure is quite crucial to Rawls. He believes that the two principles of contract theory would be stable because

...when a basic structure of society is publicly known to satisfy its principles for an extended period of time, those

subject to these arrangements tend to develop a desire to act in accordance with these principles and to do their part in institutions which exemplify them.⁸⁶

The two principles of justice required, according to Rawls, less identification with the interests of others. However, this assertion depends crucially on Rawls' assumption of three psychological laws which presume a high degree of fellow-feeling and cooperation in family and society, and the absence of envy. If, moreover, the principle of utility operated in a framework of guaranteed constitutional rights, as Sidgwick assumed, the utilitarian society might have the advantage of stability with flexibility for change.

The contract principle does provide for a conception of justice that gives expression to men's respect for one another. "...the principles of justice," writes Rawls, "manifest in the basic structure of society men's desire to treat one another not as means but only as ends in themselves."⁸⁷ That utilitarianism does not regard persons as ends in themselves is one of the strong arguments against it. Even if one goes by Bentham's formula "everybody to count for one, nobody for more than one" and concedes that the principle of utility treats persons as both means and ends,⁸⁸ Rawls regards the Kantian principle on which his distribution principle is based as distinctly superior.

We have also considered the problem of the impartial observer necessitated by utilitarian theory. The approval of the impartial sympathetic spectator becomes the standard of justice in the classical version of utilitarianism of Hume and Sidgwick. The contract view, on the other hand, need not assume the altruism or sympathy of an observer

who responds to the conflicting interests of others as if they were his own. It need merely define impartiality from the standpoint of the litigants in the original position.

According to Rawls, the utilitarian conception also suffers from a lack of definition of an institutional structure that ensures "procedural justice."

"...the utilitarian system does not interpret the basic structure as a scheme of pure, procedural justice," he writes, "for the utilitarian has in principle anyway, an independent standard for judging all distributions, namely, whether they produce the greatest net balance of satisfaction. In his theory, institutions are more or less imperfect arrangements for bringing about this end. Thus given existing desires and preferences, and the natural continuations into the future which they allow, the statesman's aim is to set up those social schemes that will best approximate an already specified goal. Since these arrangements are subject to the unavoidable constraints and hindrances of everyday life, the basic structure is a case of imperfect procedural justice."⁸⁹

A major contribution of Rawls, if one does not take the libertarian view of Friedrich Von Hayek (considered in subsequent pages) or the "entitlements" view of Robert Nozick,⁹⁰ is that the difference principle does not provide an automatic premium to individuals who enjoy natural advantages because of genetic inheritance (greater ability, intellectual merit, etc.) family inheritance (appropriate environment, etc.). These would result in higher incomes only if they are used in such a manner as to provide advantages to the least disadvantaged in society. The contract theory agrees with utilitarianism in holding that the principles of justice depend upon the natural facts about men in society. But some have objected to utilitarianism because it might permit a system of slavery and serfdom, or other curtailments of liberty, at a theoretical

level. These institutions might be justified if actuarial calculations show that they yield a higher balance of happiness. The utilitarians argue that these calculations would normally go against infractions of liberty. But Rawls suggests that this depends on the validity of the utilitarian assumptions of similar utility functions for all individuals, diminishing marginal utility, etc. On the basis of such assumptions alone, and subject to their validity, can the utilitarians conclude that a given total income (ignoring production) is best divided equally. Whereas the contract theory which does not postulate private ownership (only a competitive economy is regarded as necessary) should not yield excessive inequalities. Rawls does not demonstrate this superiority conclusively. It is subject to the validity of his psychological laws and the absence of envy. It is not certain how helpful the difference principle would be in moving society from an actual situation of greater inequality to one of lesser inequality. Yet it is an alternative ideal to utilitarianism especially in the light of the latter's weakness with regard to recognizing the claims of equity.

We have already noted that Sidgwick's utilitarianism to a large extent subordinates distributional justice to considerations of economic efficiency. He discards any concept of moral deservingness or merit as a criterion for distribution as being impracticable because there are no criteria for merit which will command universal acceptance. He also subordinates any considerations of need to those of economic efficiency. (For example, he is even against a government system of poor relief.) He is reluctant even to endorse the principle of progressive taxation

because it might unduly erode incentives. He endorses distribution on the basis of marginal product as an equitable system. Thus Sidgwick's utilitarianism does not take us very far in terms of providing any substantial movement towards greater equality (though it offered a theoretical justification of equality on the basis of cardinally measurable diminishing marginal utility of income and interpersonal comparisons of utility). As we noted earlier, this is understandable in the context of the time in which Sidgwick wrote, and in terms of the British suspicion of utopias since the experience of the Cromwellian commonwealth.⁹¹

The modern development of utilitarian principles of choice has become a very large and technical subject concerned with many of the central questions of welfare economics.⁹² While it is possible to develop as A. K. Sen has done,⁹³ a rigorous framework for aggregation of welfare as an approach to the analysis of collective choice, it does, to quote Sen,

lack the sure-fire effectiveness of classical utilitarianism, which is one of its very special cases, but it also avoids the cocksure character of utilitarianism as well as its unrestrained arbitrariness.⁹⁴

Rawls' view recognizes that an institutional structure not only satisfied existing wants but shapes the wants and aspirations of men and that therefore the choice of institutions must be made on moral and political as well as on economic grounds. And he very definitely subordinates considerations of efficiency to the moral and political.

Once the principles of justice are derived...the contract doctrine does establish certain limits on the conception of the good. These limits follow from the priority of justice

over efficiency and the priority of liberty over social and economic advantages (assuming that serial order obtains).⁹⁵

In his discussion of the economic institutions required for justice, Rawls separates the need for a system of markets in which prices are freely determined by supply and demand and the system of ownership of property. A market system can be based on a system of private property or socialist ownership. With regard to the rate of saving and the direction of investment, "a collective decision may determine the rate of saving while the direction of investment is left largely to individuals competing for funds."⁹⁶ He separates prices (including the interest rate to allocate resources among investment projects and to compute rental charges for the use of capital, natural resources, etc.) as indicators for achieving efficient allocation of resources and incomes paid to individuals. (Wage income would represent market prices but he disagrees that the marginal productivity theory is satisfactory as a principle of justice.

"What an individual contributes by his work," he asserts, "varies with the demand of firms for his skills and this in turn varies with the demand for the products of firms. An individual's contribution is also affected by how many offer similar talents. There is no presumption, then, that following the precept of contribution leads to a just outcome unless the underlying market forces, and the availability of opportunities which they reflect, are appropriately regulated. This implies that the basic structure as a whole is just."⁹⁷

Rawls thus does not prejudge the issue of the nature of the economic system needed to sustain the just society.

Rawls also confronts the issue of political equality in a system of constitutional government. Constitutional government has not historically provided the equality of political liberty. "Disparities in

the distribution of property and wealth that far exceed what is compatible with political equality have been tolerated by the political system," he writes, "Public resources have not been devoted to maintain the institutions required for the fair value of liberty."⁹⁸ But Rawls skirts the issue of how to ensure political equality in the actual world, on the basis of the argument that his discussion is not intended as a theory of the political system but is a "way of describing an ideal arrangement, comparison with which defines a standard for judging actual institutions."⁹⁹ But he does modify the demands of ideal justice under certain circumstances as they relate to certain political liberties and the rights of fair equality of opportunity.

To accept the lexical ordering of the two principles we are not required to deny that the value of liberty depends upon circumstances. But it does have to be shown that as the general conception of justice is followed, social conditions are eventually brought about under which a lesser than equal liberty would no longer be accepted.¹⁰⁰

And he adduces the principle of compensation to those with lesser liberty.

Rawls' well argued case for the two principles have added appeal especially because of the inadequacy of utilitarianism which no longer can employ the simplicities of cardinal utility and diminishing marginal utility and interpersonal utility comparisons to support economic and social policy for greater equality. But Rawls' conception is that of an ideal. He has attempted to set an absolute standard which "the method of reflective equilibrium," as he calls it, will establish as valid, for all, for all time. We may object to his method, by which the principles are made to emerge from the original condition and the "veil

of ignorance" by the inclusion and exclusion from the knowledge of people precisely the things that are necessary in order to arrive at the self-same principles. We may attack the maximin rule as being extremely pessimistic as Harsanyi does.¹⁰¹ But the most important objection to it in my view is that as an ideal, it is a utopian vision, with the defect of all utopias--they do not tell us how we get from here to there. The end is now illumined but there is no path to get to the light. The clear delineation of the end is no mean achievement, but in the absence of some attempt to describe the means, the vision is edifying but unhelpful. Robert Paul Wolff put it very well,

When one reflects that A Theory of Justice is before all else, an argument for substantial redistributions of income and wealth, it is astonishing that Rawls pays no attention to the institutional arrangements by means of which the redistribution is carried out. One need not know many of the basic facts of society to recognize that it would require very considerable political power to enforce the sorts of wage rates, tax policies, transfer payments and job regulation called for by the difference principle. The men and women who apply the principle, make the calculations, and issue the redistribution orders will be the most powerful persons in society,...how are they to acquire this power? How will they protect it and enlarge it once they have it? Whose interests will they serve, and in what way will the serving of those interests consolidate them and strengthen them vis-a-vis other interests? Will the organization of political power differ according to whether the principal accumulations of productive resources are privately owned rather than collectively owned?¹⁰²

It is obvious that we need a theory of means as well as ends to ensure social justice.

Hayek on Utilitarianism and Social Justice

A major attack on utilitarianism as well as prevailing concepts of social justice has been mounted by Hayek in his most recent works¹⁰³ Law, Legislation and Liberty Vol. 1 Rules and Order, Vol. 2 The Mirage of Social Justice.

In order to understand Hayek's view, it is necessary to summarize his theory of knowledge and society (I rely entirely on the above two volumes, without going back to his previous work). Hayek's starting point is his theory of knowledge which postulates that no one in society has or can have complete knowledge of all the relevant facts. Society functions by constant adaptation by millions of individuals to millions of facts which in their totality are not known to anyone. The institutions of society are not therefore the design of anyone but the evolutionary consequence of adaptation to environment so as to increase the chances of success of survival of groups. The rules of conduct that emerged did so in the sense that they were "observed" in action before being articulated as such. They came to be observed because of the superior strength they gave to the group.

This theory of knowledge leads to the social theory that "order" in society is a social one. This grown order which is a self-generating or endogenous order ("spontaneous order" or "kosmos") is distinguished from a directed social order based on a relationship of command and obedience ("organization" or "taxis"). Hayek calls the spontaneous order in which individual elements follow certain rules in responding to their environment on the basis of the success of past experience but

in which nobody has full knowledge of the totality of circumstances, "a free society." The rules of a free society are applied by individuals in the light of their knowledge and purposes and their application is independent of any common purpose.¹⁰⁴ The rules of an organization are different in that they presuppose the place of each individual in a hierarchy whose obedience to them depends on his place and particular ends indicated for him by superior authority.

Interference by command in a spontaneous order, by depriving members of the chance to use their knowledge would not improve the spontaneous order, though it may be improved by revising the general rules on which it rests. The theory of the spontaneous order thus seeks to establish the futility of particular measures which political authority may choose to impose as part of a program to realize a more desirable social structure. It follows that it is not possible to build a better society by intervention which seeks particular elements that are in themselves desirable. It is the heart of Hayek's thesis that the authority of government including democratic authority is itself limited in its coercive power by the general principles to which the community has committed itself. Such constitutional principles moreover have never been fully articulated in constitutional documents but have evolved and become part of the vague perceptions of public opinion in the countries of the western world.

These considerations reinforce Hayek's legal philosophy. Deliberate change is sought to be brought about in society by legislation. Legislation, however, cannot redesign the entire legal system.

"Law making," asserts Hayek, "is necessarily a continuous process in which every step produces hitherto unforeseen consequences for what we can and must do next. The parts of a legal system are not so much adjusted to each other according to a comprehensive overall view, as gradually adjusted to each other by the successive application of general principles to particular problems-- principles, that is, which are not even explicitly known but merely implicit in the particular measures that are taken."¹⁰⁵

It is Hayek's view that law precedes legislation and is coeval with society. The rules by which men learned to act as independent members of society existed before they were articulated as such. They are what Hayek calls "end-independent" rules of conduct that underlie the spontaneous order. The judge is called upon to intervene only where actions of individuals affect other persons, and give rise to conflict because of differing expectations, which are legitimate within the existing framework of the rules of just conduct. It is then the task of the judge to tell people "which expectation they can count on and which not." Some actions such as when an entrepreneur manufactures a new product which replaces another, cause losses to producers of products displaced but these are necessary adjustments which should not be prevented. Thus general rules cannot protect all expectations and it is not the task of the judge to prohibit all actions which may cause harm to others.

Hayek does not object to the intervention by legislation to remove the unequal weight obtained by some groups such as landlords, employers, etc. which would serve to eliminate discrimination by the law. Nor does he deny that social legislation may provide certain services to specially unfortunate minorities "the weak or those unable to provide

for themselves." But he strongly objects to the social legislation which seeks to direct private activity towards particular ends and to the benefit of particular groups in the name of social justice. Hayek agrees that government should provide for some collective needs but suggests that there is a great danger that particular needs of groups is sought by them to be transformed into the general interest.

Hayek puts himself in opposition to utilitarianism as it developed in the late eighteenth century (Bentham) whereby utility was thought of as a common attribute of the different ends served by particular means, rather than, as according to the earlier meaning of the term (Hume) an attribute of the means. He believes that only act-utilitarianism can claim to be consistent in basing the approval or disapproval of actions exclusively on their foreseen effects of utility. This implies full knowledge of the consequences of the act--we have come across this statement before. Hayek calls it "the factual assumption of omniscience." Such an assumption, he says, is never satisfied in real life. Should it be true, "it would make the existence of those bodies of rules which we call morals and law not only superfluous but unaccountable and contrary to assumption."¹⁰⁶ On the other hand,

No system of generic or rule-utilitarianism could treat all rules as fully determined by utilities known to the acting person, because the effects of any rule will depend not only on its being always observed but also on the other rules observed by the acting persons and on the rules being followed by all other members of society.¹⁰⁷

Hayek juxtaposes the theory of the spontaneous order and the utilitarian view. "The trouble with the whole utilitarian approach is that as a theory professing to account for a phenomenon which consists of a

body of rules, it completely eliminates the factor which makes rules necessary, namely our ignorance."¹⁰⁸ And he emphasizes again that the necessity of rules is due to the impossibility of knowledge of the particular effects of individual actions.

Man has developed rules of conduct not because he knows but because he does not know what all the consequences of a particular action will be. And the most characteristic feature of morals and law as we know them is therefore that they consist of rules to be obeyed irrespective of the known effects of the particular action.¹⁰⁹

Rules reflect not only the importance of particular ends but the frequency of their occurrence. "The only 'utility' which can be said to have determined the rules of conduct is thus not a utility known to acting persons, or to any one person but only a hypostatized utility, to society as a whole."¹¹⁰ The consistent utilitarian is thus driven to interpret evolution anthropomorphically as the product of design "and to postulate a personified society as the author of these rules."¹¹¹

Hayek views a new rule as part of a system of rules that leads to less disappointment of expectations than the established rules. Moreover, he says, rules on which we count are mostly not prescribing particular actions but rules restraining actions--not positive but negative rules. Rules are relative to the society one lives in, and they "are a device for coping with our ignorance of the effects of particular actions."¹¹²

Rules of just conduct refer to such actions of individuals as affect others. But since in a spontaneous order, the position of each individual is the result of the actions of many other individuals and since no one has the power to assure that the separate actions of many will

produce a particular result for a certain person, rules of individual conduct cannot determine what anyone's particular position ought to be. They determine only certain abstract properties of the resulting order but not its particular concrete content. The particulars of a spontaneous order cannot be regarded as just or unjust (only situations which have been created by human will can be called just or unjust) since they are not the intended results of particular actions. Thus what is called social or distributive justice has only meaning in an organization and is meaningless within a spontaneous order.

Hayek's view of justice is that "...justice is an adaptation to our ignorance."¹¹³ The rules are independent and abstract. There are no positive criteria for justice, only negative criteria which show us what is unjust. Persistent application of the negative test of universalizability attempts to eliminate conflict between rules, changes the system inherited by a generation but the negative test will not help to justify the entire system itself.

"Social justice" is different from "justice." As we have seen, for Hayek justice is an attribute of human conduct which we have learned to exact because a certain kind of conduct is required to secure the formation and maintenance of a beneficial order of actions.¹¹⁴ It refers to the agreement to maintain and enforce uniform rules of procedure which "improves the chances of all to have their wants satisfied, but at the price of all individuals and groups increasing the risk of merited failure."¹¹⁵

But there is no meaning to the word "social" in "social justice" according to Hayek. To attempt to examine the meaning of the attribute "social" only leads into "a quagmire of confusion nearly as bad as that which surrounds 'social justice' itself."¹¹⁶ Social justice as a term is meaningless as well in the context of a spontaneous order, because it is impossible to conceive of a set of rules by which individuals could govern their conduct so that "the joint effect of their activities would be a distribution of benefits which could be described as just, or any other specific and intended allocation of advantages and disadvantages among particular people or groups."¹¹⁷ Hayek moreover contends that it is impossible for a free society to maintain itself while enforcing 'social' or 'distributive' justice because "for its preservation, it is also necessary that no particular groups holding common views about what they are entitled to should be allowed to enforce these views by preventing others to offer their services at more favorable terms."¹¹⁸ Hayek concludes "the current endeavor to rely on a spontaneous order according to principles of justice amounts to an attempt to have the best of two worlds which are mutually incompatible."¹¹⁹

Many would not agree with the pronouncement of failure by Hayek on all attempts to combine the elements of freedom in the polity and the marketplace with elements of organization. Hayek's purist vision of a spontaneous order is only that and reality has found ways of combining both elements which far from being mutually incompatible may be essential to the social order of a developed society. We may note, in a brief personal comment on Hayek, that his justification of the

spontaneous order in which only 'justice' in terms of 'rules' for individual conduct is meaningful depends crucially on his assumption of the impossibility of full knowledge. It is in marked contrast to Sidgwick's faith in reason, our ability 'in reflective equilibrium' (a term used by Rawls but very similar as a method in ethics to Sidgwick's morality of common sense. Brian Barry suggests that Rawls' reflective equilibrium "is surely a concept that Sidgwick would have acknowledged as a way of characterizing his own aim")¹²⁰ to arrive at not only what is good for the individual but for society. And surely, our ignorance is not so great that we cannot achieve an improvement in the conditions of life for all people in our societies. As we have noted in the section on the conflict between liberty and distributive justice as societal goals, it is not utopian to work for the latter without jeopardizing the former.

Rawls has gone further than anyone in explicating the meaning of ideal social justice, and in showing how far we are from the ideal even in the developed societies of the western world. Admittedly, the problem of means--the answers to the kinds of questions that Robert Paul Wolff raises in connection with the means to attain justice¹²¹ is a very difficult one. But some societies in the modern world have surely shown that it is possible to ensure the fulfillment of "the right to survival" and to "eradicate poverty," without impairing political liberty.¹²² In any case, no society, least of all the affluent ones, can escape the responsibility to provide these minimum conditions.

Footnotes

¹Friedrich Hayek, The Constitution of Liberty (Chicago: The University of Chicago Press, 1960), p. 419. Footnote 2. Hayek, however, continues in the same note, "Though in many respects an admirable work, it (The Elements of Politics) scarcely represents what must be regarded as the British liberal tradition and is already tainted with that rationalist utilitarianism which led to socialism."

²For a summary of the views of the logical positivist school, and of Freud and Pareto as they relate to ethics, refer to Thomas English Hill, Contemporary Ethical Theories (New York: Macmillan and Co., 1950), pp. 9-53.

³For a recent critique of modern welfare economics from a liberal (in the British sense) point of view and the problems that the dominance of the Pareto criterion presents for political economy, see Charles K. Rowley and Alan T. Peacock, Welfare Economics (New York: John Wiley and Sons, 1975). Rowley and Peacock repudiate the Pareto criterion breaking with libertarians like Buchanan. For a reasoned analysis of the short comings of logical positivism in economics from a Marxian standpoint, see M. Hollis and E. J. Nell, Rational Economic Man (London: Cambridge University Press, 1975).

⁴For example, "The winds of change have been unkind to positivism. Few professional philosophers in Britain and fairly few in America still avow it. Instead, they practice what Milton calls 'a fugitive and cloistered virtue' currently known as linguistic or conceptual analysis." Martin Hollis and Edward J. Nell, Rational Economic Man: A Philosophical Critique of Neo-Classical Economics (London: Cambridge University Press, 1975), p. 22.

⁵Hla Myint, Theories of Welfare Economics (New York: Augustus Kelley, 1965), p. 124.

⁶Hla Myint, *ibid.*, p. 125.

⁷Henry Sidgwick, Principles of Political Economy (New York: Macmillan and Co., 1883), p. 404.

⁸For a perceptive evaluation of this argument see I. M. D. Little, A Critique of Welfare Economics (Oxford: Clarendon Press, 1950), pp. 53-68.

⁹James Buchanan, "Economics, Welfare and Political Economy," Journal of Law and Economics, 2 (October 1959):124-138.

¹⁰Buchanan restricts the scope of political economy "to those social changes that may legitimately be classified as 'changes in law,' that is, changes in the structural rules under which individuals make choices." He requires compensation in the bringing about of changes because only through such a device can appropriate criteria for improvement be discussed. If all individuals consent to the change including agreement on the amount of tax to be paid by the beneficiaries of the change and the amount of compensation for those suffering loss due to the change, the change is desirable and should take place. This is the "unanimity criterion." However, since there may be some "unreasonable" persons who might not agree to the change, the "unanimity" criterion is modified by Buchanan to include only acceptance by 'reasonable' persons. He assumes that relatively objective standards exist by which 'reasonable' persons may be distinguished from 'unreasonable' persons. James M. Buchanan, "Positive Economics, Welfare Economics, and Political Economy," Journal of Law and Economics, 2 (October 1959):124-138.

¹¹For a thorough discussion of these see E. J. Mishan, A Survey of Welfare Economics, 1939-1959 in E. J. Mishan, Welfare Economics (New York: Random House, 1964), pp. 3-97, and Paul Samuelson, Foundations of Economic Analysis (New York: Atheneum, 1967), pp. 203-253 and Paul Samuelson, "Social Indifference Curves," Quarterly Journal of Economics 70 (February 1946):1-22.

¹²"The notion underlying the compensation principle is that if a resource shift would result in some individuals being better off and others being worse off, and the gainers could compensate the losers while themselves remaining better off, then the resource shift is Pareto-preferred." Charles K. Rowley and Alan T. Peacock, Welfare Economics (New York: John Wiley and Sons, 1975), p. 47.

¹³Rowley and Peacock, *ibid.*, pp. 49-50.

¹⁴E. J. Mishan, "Welfare Criteria: Resolution of a Paradox," Economic Journal, 83 (September 1973):746-767.

¹⁵Paul Samuelson, Foundations of Economic Analysis (New York: Atheneum, 1967), pp. 219-236.

¹⁶Kenneth Boulding, "Welfare Economics," in A Survey of Contemporary Economics, Vol. 2, ed. Bernard Haley (Homewood, Illinois: Richard D. Irwin, 1952), p. 32.

¹⁷J. J. C. Smart, "An Outline of a System of Utilitarian Ethics," in Utilitarianism: For and Against, ed. J. J. C. Smart and Bernard Williams (Cambridge: Cambridge University Press, 1973), p. 9.

¹⁸For the reasons that act-utilitarianism is morally unsatisfactory see Richard B. Brandt, "Toward a Credible Form of Utilitarianism," in Morality and the Language of Conduct, eds. H. Castanada and G. Nakhnekian (Detroit, Michigan: Wayne State University Press, 1963), pp. 107-143.

¹⁹R. F. Harrod, "Utilitarianism Revised," Mind 45 (1936):137-156.

²⁰J. J. C. Smart, op. cit., p. 9.

²¹J. O. Urmson, "The Interpretation of the Moral Philosophy of J. S. Mill," The Philosophical Quarterly, 3 (1953):33-39.

²²John Rawls, "Two Concepts of Rules," The Philosophical Review, LXIV (1955):3-32.

²³John Rawls, *ibid.*, p. 3.

²⁴John Rawls, *ibid.*, p. 8.

²⁵John Rawls, *ibid.*, p. 9.

²⁶C. D. Broad, Five Types of Ethical Theory (New York: The Humanities Press, 1951), p. 250.

²⁷Henry Sidgwick, Methods of Ethics (New York: Macmillan and Co., Ltd., 1907), pp. 416-417.

²⁸Henry Sidgwick, *ibid.*, p. 416.

²⁹John Rawls, A Theory of Justice (Cambridge, Mass.: The Belknap Press of Harvard University Press, 1971), p. 26.

³⁰Nicholas Rescher, Distributive Justice (Indianapolis: The Bobbs-Merrill Co., 1966), p. 51.

³¹Henry Sidgwick, op. cit., pp. 415-416.

³²J. C. Harsanyi, "Cardinal Utility in Welfare Economics and in the Theory of Risk-taking," Journal of Political Economy, 61 (October 1953):434-435, and J. C. Harsanyi, "Cardinal Welfare, Individualistic Ethics, and Inter-personal Comparisons of Utility," Journal of Political Economy, 63 (August 1955):309-321.

³³J. D. Harsanyi, "Cardinal Utility in Welfare Economics," Journal of Political Economy, 61 (October 1953):434-435.

³⁴J. C. Harsanyi, *ibid.*, p. 435.

³⁵J. C. Harsanyi, "Cardinal Welfare, Individualistic Ethics, and Interpersonal Comparisons of Utility," Journal of Political Economy, 63 (August 1955):316.

³⁶J. C. Pattanaik, "Risk, Impersonality and the Social Welfare Function," Journal of Political Economy, 76 (November 1968):1152-69 and A. K. Sen, Collective Choice and Social Welfare (San Francisco: Holden-Day, 1971), pp. 141-146, discuss Harsanyi's average utility principle. For a simpler exposition of Harsanyi see Rawls, A Theory of Justice, pp. 161-166.

³⁷Rawls, *ibid.*, p. 168.

³⁸For Harsanyi's reply to Rawls see J. C. Harsanyi, "Can the Maximum Principle Serve as a Basis for Morality? A Critique of John Rawls' Theory," American Political Science Review, LXIX (June 1975):594-606.

³⁹J. C. Harsanyi, *ibid.*, pp. 595-596.

⁴⁰John Rawls, *op. cit.*, p. 179.

⁴¹Nicholas Rescher, *op. cit.*, pp. 35-36.

⁴²Nicholas Rescher, *ibid.*, p. 35.

⁴³R. H. Tawney, Equality (London: Allen and Unwin, 1952) quoted in Rescher, *ibid.*, pp. 35-36.

⁴⁴Rawls, *op. cit.*, p. 26.

⁴⁵Hutcheson, Hume and Adam Smith had also the concept of the "spectator" or "observer." Adam Smith, in particular, in his Theory of Moral Sentiments develops the concept of the "impartial spectator" as a sociological and psychological explanation of our moral capacities, especially of "conscience." Rawls' view of the impartial spectator as a device of utilitarian theory for regarding the interest of society as if it were the interest of a single person would thus appear to be different from that of Smith. For a discussion of Smith's view of "The Impartial Spectator" see D. D. Raphael, "The Impartial Spectator," in Essays on Adam Smith, eds. Andrew Skinner and Thomas Wilson (Oxford: Clarendon Press, 1975), pp. 83-99.

⁴⁶Rawls, op. cit., p. 27.

⁴⁷Rawls, *ibid.*, p. 28.

⁴⁸Rawls, *ibid.*, p. 29.

⁴⁹For Rawls' discussion of Mill's views on liberty, see Rawls, *ibid.*, pp. 209-210.

⁵⁰Rawls, *ibid.*, p. 211.

⁵¹I take the list of the canons of distributive justice from Rescher, Distributive Justice, p. 73.

⁵²It is questionable how well the voting process reveals the preferences of the electorate. The literature on public choice starting with K. J. Arrow's Social Choice and Individual Values (New York: John Wiley and Sons, 1951) is now considerable. Apart from the theoretical problem raised by the Arrow dilemma, which people like Gordon Tullock argue are insubstantial in the real-world situation (See Gordon Tullock, Towards a Mathematics of Politics (Ann Arbor: University of Michigan Press, 1967) are the practical problems of a representative government in a context of unequal power to influence peoples' opinions and arrive at decisions which may make of the collective will of the electorate a convenient fiction as people like Marcuse have argued. (H. Marcuse, One Dimensional Man (Boston: Beacon Press, 1968).

⁵³Henry Sidgwick, The Elements of Politics (London: Macmillan and Co., 1908), p. 37.

⁵⁴H. Sidgwick, *ibid.*, p. 37.

⁵⁵H. Sidgwick, *ibid.*, pp. 37-38.

⁵⁶H. Sidgwick, *ibid.*, p. 40.

⁵⁷H. Sidgwick, *ibid.*, p. 41.

⁵⁸H. Sidgwick, *ibid.*, p. 42.

⁵⁹Compare Henry George "...wherever there is light to guide us, we may everywhere see that in their first perceptions all peoples have recognized the common ownership in land, and that private property in land is an usurpation, a creation of force and fraud." Henry George, Progress and Poverty (New York: Robert Schalkenbach Foundation, 1966), p. 384. Also, "The value of land does not express the reward of production as does the value of crops, of cattle, of buildings, or any of the things which are styled personal property and improvements. It expresses the exchange value of monopoly. It is not in any case the creation of the individual who owns land; it is created by the growth of the community. Hence the community can take it all without in any way lessening the incentive to improvement or in the slightest degree lessening the production of wealth." Henry George, *ibid.*, p. 413.

⁶⁰H. Sidgwick, *op. cit.*, pp. 133-168.

⁶¹H. Sidgwick, *ibid.*, pp. 42-43.

⁶²H. Sidgwick, *ibid.*, p. 46.

⁶³The assumption of Adam Smith about the unchangeability of individualist human nature, ever pursuing its self-interest, which Sidgwick here accepts, may not be a universal truth valid for all time, and all institutional structures. The experiments of the behaviorists like Skinner have at a minimum established that it is possible to modify human nature by altering the structure of rewards and benefits obtained by individuals. Social experiments such as of Mao Tse Tung in China at least make the issue an open one.

⁶⁴H. Sidgwick, *ibid.*, p. 168.

⁶⁵Melvin J. Laski, Utopia and Revolution (Chicago: The University of Chicago Press, 1976).

⁶⁶H. Sidgwick, Methods of Ethics, pp. 285-286.

⁶⁷John Rawls, *op. cit.*, pp. 30-31.

⁶⁸R. P. Wolff, Understanding Rawls (Princeton, N.J.: Princeton University Press, 1977).

⁶⁹Brian Barry, The Liberal Theory of Justice (Oxford: Clarendon Press, 1973), pp. 3-4.

⁷⁰For an elaboration of these, see Brian Barry, *ibid.*, pp. 4-9.

⁷¹John Rawls, The Theory of Justice, p. 7.

⁷²John Rawls, *ibid.*, p. 8.

⁷³John Rawls, *ibid.*, p. 12.

⁷⁴There is an important methodological issue involved here. What Rawls includes and excludes from the knowledge of people in terms of what things are covered by the "veil of ignorance" are derived from the special conclusions that Rawls wants to draw. The tendency of Rawls to rationalize all his conclusions by his assumptions about the original state is troublesome, if at least because, the method is so universal. The general nature of the method whereby one chooses intuitively meaningful assumptions that almost inevitably lead to the conclusions one wants to arrive at anyway, raises the question of how "scientific" social science is, and whether there is not a considerable element of "art" in impressive social science such as the conclusions of Rawls that we are considering.

⁷⁵John Rawls, *ibid.*, p. 60.

⁷⁶John Rawls, *ibid.*, p. 62.

⁷⁷For the application of the concept of Pareto optimality to the structure of society, see Rawls, *ibid.*, pp. 70-71.

⁷⁸John Rawls, *ibid.*, pp. 195-250.

⁷⁹John Rawls, *ibid.*, pp. 152-153.

⁸⁰For a recent, technical evaluation and analysis of the bargaining game as visualized by Rawls, see R. P. Wolff, Understanding Rawls, pp. 142-191.

⁸¹John Rawls, *op. cit.*, p. 90.

⁸² John Rawls, *ibid.*, p. 396.

⁸³ John Rawls, *ibid.*, p. 96.

⁸⁴ For a discussion of the average utility principle and a proof of the assertion that the difference principle would yield a better situation for the worst off, see Rawls, *ibid.*, pp. 161-174 and p. 77.

⁸⁵ John Rawls, *ibid.*, p. 77.

⁸⁶ John Rawls, *ibid.*, p. 177.

⁸⁷ John Rawls, *ibid.*, p. 180.

⁸⁸ It is possible to argue that utilitarianism, as applied in economics, regards people only as means. This is obviously true of production. In neoclassical distribution theory, what people get is again a result of a maximizing process which has nothing to do with people as ends.

⁸⁹ John Rawls, *ibid.*, p. 89.

⁹⁰ Robert Nozick, Anarchy, State and Utopia (New York: Basic Books, Inc., 1974). A basic statement of the "entitlements" theory is in pp. 150-160, though the entire book is a development of and justification of this theory.

⁹¹ Melvin Laski, Utopia and Revolution (Chicago: Chicago University Press, 1976).

⁹² For an account of these issues see A. K. Sen, Collective Choice and Social Welfare (San Francisco: Holden-Day, 1971).

⁹³ A. K. Sen, *ibid.*, pp. 105-117.

⁹⁴ A. K. Sen, *ibid.*, p. 104.

⁹⁵ John Rawls, Theory of Justice, pp. 260-261.

⁹⁶ John Rawls, *ibid.*, p. 271.

⁹⁷ John Rawls, *ibid.*, p. 308.

- ⁹⁸John Rawls, *ibid.*, p. 226.
- ⁹⁹John Rawls, *ibid.*, p. 227.
- ¹⁰⁰John Rawls, *ibid.*, p. 247.
- ¹⁰¹J. C. Harsanyi, "Can the Maximum Principle Serve as a Basis for Morality?" American Political Science Review, LXIX (June 1975):599.
- ¹⁰²R. P. Wolff, Understanding Rawls (Princeton, N.J.: Princeton University Press, 1977), p. 202.
- ¹⁰³F. A. Hayek, Law, Legislation and Liberty Vol. I, Rules and Order; Vol. 2, The Mirage of Social Justice (Chicago, Ill.: University of Chicago Press, 1973 and 1976 respectively). Vol. III is promised.
- ¹⁰⁴F. A. Hayek, Law, Legislation and Liberty, Vol. I, p. 50.
- ¹⁰⁵F. A. Hayek, *ibid.*, p. 65.
- ¹⁰⁶F. A. Hayek, Law, Legislation and Liberty, Vol. II, p. 20.
- ¹⁰⁷F. A. Hayek, *ibid.*, p. 20.
- ¹⁰⁸F. A. Hayek, *ibid.*, p. 20.
- ¹⁰⁹F. A. Hayek, *ibid.*, pp. 20-21.
- ¹¹⁰F. A. Hayek, *ibid.*, p. 22.
- ¹¹¹F. A. Hayek, *ibid.*, p. 22.
- ¹¹²F. A. Hayek, *ibid.*, p. 29.
- ¹¹³F. A. Hayek, *ibid.*, p. 39.
- ¹¹⁴F. A. Hayek, *ibid.*, p. 70.
- ¹¹⁵F. A. Hayek, *ibid.*, p. 70.

¹¹⁶F. A. Hayek, *ibid.*, p. 78.

¹¹⁷F. A. Hayek, *ibid.*, p. 85.

¹¹⁸F. A. Hayek, *ibid.*, p. 137.

¹¹⁹F. A. Hayek, *ibid.*, p. 142.

¹²⁰Brian Barry, The Liberal Theory of Justice, p. 5.

¹²¹R. P. Wolff, Understanding Rawls, p. 202.

¹²²These minimal goals for American society are set by Arthur Okun in Equality and Efficiency: The Big-Trade Off (Washington, D.C.: The Brookings Institution, 1975), pp. 17-19.

CHAPTER V. CONCLUSION

Sidgwick's Utilitarianism

Henry Sidgwick's signal contribution, apart from providing a systematic critique of the intuitionist schools of ethics, consisted in his building out of the nonsystematic observations of Bentham on the felicific calculus, the well-argued, comprehensive system of utilitarianism. John Stuart Mill, in his influential Utilitarianism, had attempted to do the same, but because of a sense of fairness that perceived only too clearly the flaws in Bentham, made so many qualifications in the latter's utilitarianism as to almost destroy the basis of the concept of "the greatest happiness of the greatest number." Moreover, Sidgwick attempted to undo the harm done by Mill through his introduction of the concept of quality of pleasure by reasserting the measurability of all kinds of happiness, by postulating a concept close to the modern idea of "revealed preference."

Neither Bentham nor Mill had adequately reconciled the claims of egoism with universalistic hedonism. They had assumed that it was somehow natural for human kind to work for the good of the whole. Sidgwick refused to take this path. He recognized the claims of egoism, the discussion of which is elaborate and detailed. He also recognized that individuals are motivated by the claims of altruism, other peoples' happiness. Thus he confronted the conflict involved in these two values and sought a reconciliation between the two in his particular formulation of utilitarianism. In doing so, he postulates what he regards as

the self-evident principle that the good of anyone, from a universalistic point of view, is of no more importance than the good of any other. Sidgwick's utilitarianism thus comes to rest on an "intuition" as to the fundamental principle underlying all morality. Sidgwick recognized that even when rationally developed, the basis of morality must be a fundamental intuition which seems reasonable to most persons. The question this raises is whether a Kantian imperative of the kind suggested above has to be restricted to one principle or may consist of many principles or goals which have to be recognized as valid and weighted in some way in order of their importance as judged by reasonable, thinking persons.

This is one direction of criticism against Sidgwick's utilitarianism. Sidgwick himself recognized the inadequacy of the greatest happiness principle and admitted, in the case of ties, an additional principle, that of equality. The principle of liberty he subsumed under utility both on grounds that a political order based on freedom was most conducive to happiness and that, with exceptions, economic liberty was essential to maximizing the national product. Dissatisfaction with the limited recognition Sidgwick gave to the principle of equality led on the one hand to the revival of the principle of average utility and on the other, to a search for a system that admitted pursuit of multiple goals.

Utilitarianism is rejected also because whenever it leads to the justification of morally repugnant acts or institutions, it has to somehow rule these out on the basis of judgements that give importance to

values other than either maximum or average utility. Rawls, for example, admits a plurality of ultimate values by which he would rank actions and institutions. In the context of justice, he recognizes the principles of liberty and equality, with priority given to liberty.

It is important to recognize the limitations of both Sidgwick's utilitarianism and Rawls contractarian view which admits the claims of both liberty and equality. Sidgwick's utilitarianism uses "common sense morality" as a reference point. It is justified as providing a better guidance in cases where common sense morality leads to ambiguous or conflicting conclusions. Moreover, it is applicable only to incremental changes from the status quo. There is no room in Sidgwick's system for major changes either in morality or politics or economic institutions. This is a reasonable postulate within the framework of Sidgwick's system as measurability and comparability may not be feasible between two totally different social states, but only between two states, one of which is but a marginal modification of the other. Where, therefore, major transformations of systems are involved, utilitarianism is of no assistance. Sidgwick thus deliberately restricts the operation of utilitarian calculation to incremental change in so-called "civilized" societies, those countries which are institutionally patterned after British constitutional democracy and share the values of western European civilization.

A general argument can be made against the preference for marginal change even in affluent societies and that is the presumption that puts less weight on misery and unhappiness in an existing social state and

emphasizes the costs of attempting to eliminate this misery and unhappiness by more than marginal measures that attempt systematic transformation. An aspect of social progress is the fact that it renders intolerable unhappiness and pain that was hitherto regarded as normal. Because societies, like human beings, have learned to live with much unhappiness in their midst, does not mean that they are not paying a high cost for the status quo. Sometimes, societies therefore need major changes. Often they may not be able to achieve such changes without the trauma that accompanies loss of faith in accepted values and political action by alienated dissidents that involve some costs. The problem with revolutionary or large scale transformation is not therefore that it is always inadmissible. The question is whether or not the costs of social change are temporary or permanent and whether the measure and duration of the suffering that change causes, balances not only against the happiness the change brings about but also the unhappiness and misery that it replaces. I am not of course ignoring the tendency of revolutionaries to exaggerate the cost of existing unhappiness as well as to underplay the physical and human costs of revolutionary coercion in the new system. All I am arguing against is the tendency to reject revolutionary change because it is revolutionary change on the presumption that its costs are greater than that of the status quo. This unwillingness to consider the prospect of more than incremental change turns Sidgwick into a conservative who is attracted by and fears socialism at the same time.

Rawls too limits his view of justice to the developed societies patterned after the affluent western European democracies. He conditions the importance of liberty to the historical situation of a society and recognizes a trade-off between liberties and long-run benefits great enough to transform the less developed society. He goes so far as to almost negate temporarily for some societies his lexical ordering of liberty and equality. "To accept the lexical ordering of the two principles; we are not required to deny that the value of liberty depends upon circumstances," he writes.¹ All that is important in such cases is that present denial of liberties could be shown to eventually create social conditions wherein a less than equal liberty would not be accepted.

Rawls' concession gives rise to the following objection. Why is a trade-off permissible only in some societies in which the present condition is one of the tyranny of tradition, economic backwardness and institutionalization of a relatively low order? Why should it not be permissible in the affluent democratic society where the practical need to diminish existing inequalities might involve a degree of compulsion? Rawls' answer is that "as conditions of civilization improve, the marginal significance for our good of further economic and social advantages diminishes relative to the interests of liberty, which become stronger as the conditions for the exercise of the equal freedoms are more fully realized."² It can, on the other hand, be argued that the exercise of freedom is impossible for those without an assurance of minimum income and without a minimum level of wealth. As long as there

are even significant minorities in affluent societies for whom the assurance of liberty in the above sense is meaningless, the possibilities of a trade-off between liberty and minimum income for all should not be dismissed as inconceivable. As a matter of fact, Rawls is somewhat less absolutist in his lexical ordering of liberty and equality than appears at first sight in that he does seem to suggest that the priority indicated by the lexical ordering is only an ideal.³

It is not necessary to elaborate on the limited applicability of both utilitarianism and Rawls' ideal justice to presently less-developed countries. What has to be striven for here is a social state in which the vast majority of the population living under the triple dictatorship of custom, landlord and poverty have the assurance of minimum sustenance and employment. It is more than likely that in moving towards such a state, the wealthier sections of the population suffer loss in living standards and in the case of individuals opposing the institutional changes involved, physical coercion. What is to be deplored is not the minimum necessary violence for achieving change but the sustained, long-term violence imposed by the new elite in the interests of conformity or what is called re-education for the new society. Even the choice between temporary revolutionary violence and political ineffectiveness in its absence is unpleasant. Utilitarianism is not capable of delivering the right decision in such cases. But the measurable benefits in reducing inequality or reducing poverty levels may offer an ex-post criterion, if not tied to the priority of liberty.

Sidgwick's Economics

One aim that Sidgwick set himself in writing Principles of Political Economy was to establish the continuity of economic thought and to restore perspective on the debt English political economy owed to Ricardo and J. S. Mill, after the intellectual and methodological onslaught made on them by the historical school and Jevons. In this task, Sidgwick succeeded eminently. Marshall, who later attempted to do the same, found his endeavor to generate a neoclassical synthesis so much easier because of Sidgwick's work.

Sidgwick also prepared the way for the neoclassical consensus on method, without abandoning his emphasis on the relevance of economic theory for economic policy and the economics of welfare which he called the "art" of economics. Moreover, Sidgwick was the first to clearly distinguish production welfare economics and distribution welfare economics. The commitment to economic growth of Adam Smith was, according to Sidgwick, a normative predilection of economics which belonged to the realm of art. Sidgwick was also unique in pointing out the inter-relationship between production and distribution. While others had merely emphasized the incentive or disincentive effects of a particular system of income distribution on production, Sidgwick also pointed out that the kinds of wealth produced depended crucially on the distribution of incomes in the economy.

Sidgwick's discussion of economic growth, which he correctly interprets as growth of per capita income, generally follows that of Adam Smith and J. S. Mill but is unusual in its emphasis on technological

progress. In particular, Sidgwick has a definition of 'invention' which is very close to the Schumpeterian concept of innovation.

"We must extend the meaning of the term (invention-R.V.)," he writes, "to include all expedients for saving labor or augmenting its utility; whether introduced in particular departments of industries, or in the great social organization of industries through exchange; and whether introduced with full deliberation by single individuals, or through the half spontaneous and unconscious concurrence of many."⁴

Examples of inventions cited are the transition from barter to money, substitution of good paper currency for gold and even the adoption of the decimal system of measurement.

It is important to note that even though Sidgwick as moral philosopher started from the Benthamite view of happiness, as economist he regarded happiness as utility to signify "the intensity of the desire or the demand for the articles in question, as measured by the amount of other things, or of labor, that their consumers are prepared to give for them."⁵ This interpretation, akin to revealed preference, is in contrast to that of Jevons who interpreted 'useful' as that which gives pleasure and who measured utility in the Benthamite way by the balance of pleasurable over painful consequences.

In his discussion of value, Sidgwick is clearly a stepping stone from J. S. Mill, Cairnes and Jevons to Alfred Marshall. He stated the law of demand, explaining it by the law of diminishing marginal utility and distinguished between changes in quantity demanded ('extension of demand') and changes in demand ('rise or fall in demand'). He extended the concept of the margin ('final utility') to supply and revenue emphasizing that both supply and demand determine price. In discussing

price of commodities produced under increasing cost conditions, he formulated the equality of price and marginal cost as the equilibrium condition under competition.

Anticipating Marshall and Rosentein-Rodan, he developed the concept of pecuniary external economies. In his discussion of interest, he suggests that one investment might, far from diminishing the aggregate demand for investment, improve the opportunities for other investments.⁶ Also anticipating Marshall, he develops the idea of quasi-rent. He does not use the term but regards the extra remuneration for labor of superior quality as "analogous to the high rent of fertile land used for ordinary agricultural purposes."⁷

Sidgwick's examination of whether and to what extent the economic system conforms to the ethical norms of equity raises great expectations without producing any important new major formulations. He takes a utilitarian view of property. The justification or otherwise of property is made to rest on its effects. The right to property is then defended on grounds of economic efficiency. While recognizing the elements of inequality involved in differences in skill, training and education due to inherited natural gifts or prior ownership of wealth which give rise to differences in remuneration, market wages as determined by supply of labor and marginal productivity are recognized in a qualified way as fair wages. The difference between fair wages and market wages is that fair wages are "market wages as they would be under the conditions of the least possible inequality of opportunity."⁸ Sidgwick does indeed make a case for public financing of the education

of the children of the poor. But, subject as he was to the Victorian prejudice that assistance to the poor made them lazy and improvident, he was reluctant to propose any other measures that would improve their competitive chances. He did, however, support trade unions as an appropriate instrument of workers to raise wages though he was conscious of the limitations of the power of unions under conditions of free entry into unions and of the consequences of effective union power in increasing unemployment.

Even though Adam Smith had talked of human capital, and Sidgwick may not be regarded as being original in emphasizing human capital, his discussion of investment in human capital was contemporary in tone. He regarded education, technical knowledge and trained skills as forms of investment in human capital. He distinguishes between human capital which is unique because of its "peculiar characteristic of nontransferability" and capital embodied in material instruments. The former is called "personal capital." In the discussion on wages, he attributes differences in wages as due to, among other reasons, differences in amounts of time and money entailed by training. He speaks of the rates of return to education as well. Also, Sidgwick's discussion differs fundamentally from that of British economists, and anticipates that of J. B. Clark by including 'land' in 'capital.' However, he differs from the latter in making a case for the distinction between land and capital in the theory of distribution.

Sidgwick's discussion of saving definitely anticipated Keynes in postulating a savings function that depends on income. "...we may

clearly lay down that the possible maximum of saving increases as the gross produce of labor (per head) increases, but in a greater ratio."⁹ Sidgwick is also clear that the annual produce (GNP) is equal to consumption plus investment, which in turn is equal to consumption plus saving.¹⁰ It is, however, a definite weakness of Sidgwick that a reluctance to break decisively with John Stuart Mill and the classical economists made him very tentative about his own fresh ideas. He did not emphasize his break with older doctrine.

Sidgwick was close to J. M. Keynes also in emphasizing expected profits (not realized profits) as part of the cost of production.

"It may seem paradoxical to include in cost of production profits that are not yet realized," he writes, "but the paradox disappears when we consider that it is not the actual profit, but the expectation of profit, which, *ceteris paribus*, determines the flow of capital to one industry rather than another; which is thus the efficient cause of the variations in supply which raise or lower the market price."¹¹

The role of profit expectations is also important to Sidgwick's explanation of the existence of general overproduction. (But again, he is Keynesian in his contention that the existence of considerable unemployment is a normal feature of a developed free enterprise economy. He attributes it however to limited knowledge and imperfect communication.) He suggests that the estimate of profits to be made is typically liable to ebbs and flows and overproduction may be the result of a tendency to "overrate" the prospect of profits.

Sidgwick's definition of the art of political economy as "economy applied to the attainment of some desirable result not for an individual but for a political community (or aggregate of such communities)"¹²

clearly marks the beginning of welfare economics as a separate discipline. Sidgwick has a brilliant description of competitive efficiency¹³ but argues rightly that the system of natural liberty tends to the most economic production of wealth, does not imply the further proposition that it also tends to the most economic or equitable distribution of the aggregate produce.

As earlier noted, Sidgwick develops a comprehensive list of cases which are exceptions to laissez faire efficiency. He points out that laissez faire efficiency assumes appropriability, that the individual can always obtain through free exchange adequate remuneration for the services rendered. The lighthouse, where appropriability is not possible is cited as one example. Research, where uncertainty may negate the benefits of inventions, is another example. Roads and bridges are also examples of goods which should be provided by the state. No tolls are to be levied.

Education is recognized as providing social gains in addition to private benefits and a case is made for public financing of education as many poorer parents are unable to provide their children's education, thus depriving themselves of private benefits and society of additional social benefits.

Public intervention would also be justified where production involves both gain and loss, but the major part of the gain is appropriated by private enterprise and the loss has to be borne by third parties or society. The divergence between private and public interest is also marked in the case of natural monopoly and justifies some form of

intervention in the public interest. Sometimes, combination or public coercion, to regulate an industry, is essential to ensure regular supply, as in the case of fishing where it is to the interest of a minority to break the rules.

Sidgwick's case of the inadequacies of laissez-faire at its competitive best is both comprehensive and modern and constitutes his single most important contribution to economic theory. He may well be regarded as the father of welfare economics. However, he is cautious in his approach to government not only because of the threat to liberty presented by the increasing power of bureaucracy but by the amenability of government to be exploited by organized vested interests. As a utilitarian, he felt that the issue was to be resolved by weighting the costs of noninterference against the costs of coercion.

This brief summary brings us to the end of our examination of Sidgwick's ideas. As the last in the tradition of moral philosophers who never lost sight of the integrative vision of the striving towards human betterment which the specialized knowledge of particular disciplines would enrich, Sidgwick was overtaken by the intellectual revolution that had already made his kind of synthetic scholarship unfashionable. While his contribution to ethics, therefore, gained in importance over time, his not inconsiderable contribution to economics and particularly the questions he raised about justice, welfare, freedom and equality have been relegated to the background until recently. But issues ignored over time have a way of becoming important once again. Henry Sidgwick has gained in relevance as the issues he grappled with, justice and equity in the global and national system, have become the central concern concern of our time.

Footnotes

¹John Rawls, A Theory of Justice (Cambridge, Mass.: Harvard University Press, 1971), p. 247.

²John Rawls, *ibid.*, p. 542.

³John Rawls, *ibid.*, p. 246.

⁴Henry Sidgwick, Principles of Political Economy (London: Macmillan and Co., 1901), pp. 123-24.

⁵Henry Sidgwick, *ibid.*, p. 63.

⁶Henry Sidgwick, *ibid.*, p. 277. Advantages of localization of industry are discussed in Henry Sidgwick, *ibid.*, pp. 373-374. Reference to external economies that cannot be captured by entrepreneurs starting an infant industry are made in Henry Sidgwick, *ibid.*, p. 490.

⁷Henry Sidgwick, *ibid.*, p. 329.

⁸Henry Sidgwick, *ibid.*, p. 505.

⁹Henry Sidgwick, *ibid.*, p. 161.

¹⁰Henry Sidgwick, *ibid.*, pp. 172-173.

¹¹Henry Sidgwick, *ibid.*, p. 198.

¹²Henry Sidgwick, *ibid.*, p. 396.

¹³Henry Sidgwick, *ibid.*, p. 401.

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