

SUBSCRIBE NOW AND RECEIVE *CRISIS AND LEVIATHAN** FREE!



"*The Independent Review* does not accept pronouncements of government officials nor the conventional wisdom at face value."

—**JOHN R. MACARTHUR**, Publisher, *Harper's*

"*The Independent Review* is excellent."

—**GARY BECKER**, Noble Laureate in Economic Sciences

Subscribe to [*The Independent Review*](#) and receive a free book of your choice* such as the 25th Anniversary Edition of *Crisis and Leviathan: Critical Episodes in the Growth of American Government*, by Founding Editor Robert Higgs. This quarterly journal, guided by co-editors Christopher J. Coyne, and Michael C. Munger, and Robert M. Whaples offers leading-edge insights on today's most critical issues in economics, healthcare, education, law, history, political science, philosophy, and sociology.

Thought-provoking and educational, [*The Independent Review*](#) is blazing the way toward informed debate!

Student? Educator? Journalist? Business or civic leader? Engaged citizen? This journal is for YOU!



*Order today for more **FREE** book options

SUBSCRIBE

Perfect for students or anyone on the go! *The Independent Review* is available on mobile devices or tablets: iOS devices, Amazon Kindle Fire, or Android through Magzter.



Wealth and Poverty in the Liberal Tradition

— ◆ —

LOREN LOMASKY AND KYLE SWAN

Poverty comes naturally to human beings. We enter the world with nothing and leave with less. During the interim, labor affords whatever subsistence or better life we enjoy. A useful way to appraise the human condition, then, is in terms of the means we have learned to employ for edging away from the natural condition of want. During the seventeenth century, an idea for social organization emerged in which government is sharply limited in its legitimate functions. Primary among these functions is the protection and preservation of *individuals' rights*, where these rights are understood as preeminently *liberties*: rights to be let alone. The idea described here is the nascent theory of liberalism. One effect of the subsequent implementation of this principle of social organization was unprecedented accumulation of wealth during the eighteenth, nineteenth, and twentieth centuries. Reflection on strategies for escape from poverty into wealth has been, from its beginning, an integral theme of liberal political philosophy.

The first step human beings undertake to move from the natural condition of extreme want is *acquisition*. It can be as simple a procedure as picking a berry from a bush and popping it into one's mouth. Simple, however, does not often suffice. Providence may be generous with regard to the natural bounty it bestows on human beings, but most of that largesse is not provided in ready-to-consume dollops. Therefore, a second step is *transformation*. The seeds one collects may provide some little bit of nourishment in their original state, but if planted, cultivated, and harvested, they afford far more value. A third step is *preservation*. If the painstakingly

Loren Lomasky is a professor of philosophy at the University of Virginia. Kyle Swan is a professor of philosophy at the National University of Singapore.

The Independent Review, v. 13, n. 4, Spring 2009, ISSN 1086-1653, Copyright © 2009, pp. 493-510.

produced crop is ravaged either by locusts or by locals, then the labor invested goes for naught.

Each stage of wealth generation depends for its success on *terms of cooperation* with willing others. Acquisition is simplest and most open to solitary efforts, but even here cooperation puts within one's reach goods that otherwise would be inaccessible. The gain in accessibility is literally so when one's companion offers a boost to apples on branches above one's reach, figuratively so when the companion provides information concerning where to find those apples. Transformation is yet more cooperation intensive. Jacks-of-all-trades are rarely masters of even one, and therefore production processes of more than a very small number of steps will involve inputs from several and perhaps even hundreds of participants. Preservation is most cooperation intensive of all. I may need the active cooperation of only a small number of coworkers to produce a good, but once the good is generated, it is vulnerable to usurpation by an indefinite number of potential predators. Claim of a property holding is a claim *against the world*, and thus the world's acquiescence, either active or passive, is requisite for the property's security.

All the early modern political thinkers considered in one way or another these stages of wealth generation. An account that does not begin with Thomas Hobbes and then work its way forward through the theories of Spinoza, Montesquieu, Rousseau, Hume, and Mill is incomplete. Our aim in this article, however, is not completeness, but rather coherence and concision, so we focus on the seminal thought of John Locke and Adam Smith, with a passing nod to Immanuel Kant. We see this approach not as an exercise in antiquarian retrieval, but rather as mining a tradition of thought vitally relevant to a world in which billions of people are endeavoring to escape destitution. The controlling idea is that some institutional arrangements are more conducive to economic development than are others. Liberal political philosophy suggests a simple recipe: establish and protect private-property rights; honor contractual agreements; and require mutual consent for transfers of property. Smith refers to this formula as the *system of natural liberty*. Its great virtue is that it allows people to coordinate their affairs with each other in ways that tend to their mutual betterment.

What Is Poverty?

Contemporary definitions of poverty divide into two genres: those that invoke an absolute measure and those that are relative.¹ For the classical-liberal tradition, the

1. One way to understand the difference is that where everyone's wealth increased and its relative distribution stayed the same, absolute poverty would decline, but relative poverty would stay the same. Another way of putting the difference is that relative poverty rates are distribution sensitive, whereas absolute poverty rates are not. For example, an increase in real income for the wealthiest 10 percent in the United States would, all else equal, increase relative poverty, but absolute poverty would stay the same. An absolute measurement used today in the United States is based on the one proposed by Mollie Orshansky (1965). The official poverty rate in the European Union is based on the Laeken indicators, which provide a relative measurement.

former is theoretically salient. Poverty is about not having *enough* rather than about having *less*. In the premodern world, the vast majority of human beings, even in the most advanced countries of Europe, led lives only marginally removed from bare subsistence. Onset of illness or demise of a farm animal might put a family's sustenance in jeopardy; a bad harvest or period of tight money might do likewise for entire communities. Wealth was distributed in the form of a pyramid, with only the small number at the top comfortably removed from want. Both then and now, to be poor is to be on the edge of exigence, to be in serious peril of being unable to avail oneself of basic necessities, such as adequate nutrition, shelter, fuel, means to rear one's children, and so on. This roughly demarcated realm stretches from abject to genteel poverty. When inadequately clothed persons shiver and their empty bellies growl, no definitional fine points are required to form a lively conception of the features of poverty. The problem at hand under such conditions is to save individuals from falling over the edge of exigency, *not* to satisfy some arcane criteria of distributive justice (as in, for example, John Rawls's difference principle).

Changing circumstances alter the urgency of social problems. Wealthy societies can afford to attend to dimensions of distributional inequality to an extent that less wealthy ones cannot.² Liberals disagree about whether inequality in wealth or income as such is invidious; this disagreement is one of the key divides between classical and egalitarian liberalism. Because poverty is not a natural kind, its essence is not a clear-cut fact; we choose how to use the term. But because being on the verge of destitution differs from being, say, more than one standard deviation below the median income earner, clarity requires having distinct terms for the two kinds of circumstances. *Poor* is a perfectly good term for the former, *unequal* for the latter. We use these terms. If others choose to employ the expression *relative poverty*, we will dutifully point out the potential for troublesome ambiguity, but otherwise we will not fight for our preferred usage.

Acquisition, Transformation, and Preservation

"The world is so full of a number of things, I'm sure we should all be as happy as kings." So spoke Robert Louis Stevenson, and, admittedly, he had a point. The happiness would be distinctly muted, however, if that cornucopia of things had to remain in their natural state, unused by human beings. Such unavailability would be a disgrace, especially given the conception of a beneficent deity who supplies those things primarily for the benefit of human beings. It is fanciful to suppose that all human beings can agree on anything, even the necessary preconditions for their own survival. Therefore, argues Locke, although creation's bounty is dispensed to mankind in common, individuals must be entitled severally to appropriate from nature, else the divine intention to

2. It is more natural to phrase the contrast as with "poor societies," but in this context such framing would beg the question.

nurture human life would be unfulfilled.³ Thus, the first step toward escaping extreme want is acquisition. It is not, however, an unproblematic step. That which is removed from the commons by one person thereby becomes unavailable to all other persons. Original acquisition raises two questions. First, by what means is an item legitimately removed from the commons and made a piece of personal property? Second, what constraints, if any, protect the interests of those who are thereby deprived of the possibility of acquiring the item in question for themselves?

The answer to the first question is labor. It is evident that one's body is one's own by right (subject to God's overlordship of all creation), and thus one's labor is similarly one's own. To mix that labor with things in the world distinctively connects those items to one's person. It is as if they have become an extension of the self. Among all of humanity, no one else has a relationship to these items as normatively close, and that distinction solves the problem of who is entitled to enjoy the status of owner.⁴ In Locke's view, others have no legitimate complaint of dispossession because the extent of appropriation is constrained by the proviso that enough and as good be available for them.⁵ Under these terms, each individual is made better off by his liberty to appropriate, and no one is set back by others' appropriations. Private property in external objects is a theorem of natural reason.

Locke-type justifications of original acquisition have been controversial from the beginning. Jean-Jacques Rousseau advances in the *Second Discourse* an early influential critique. It is important to understand, however, that the acquisition problem is altogether preliminary to the main event. No very plush existence can be had by extracting berries and other such goods from the state of nature. God may have been bountiful to man, but since the expulsion from Eden that bounty has consisted primarily of raw materials rather than finished products. If people are to ascend from primitive rusticity to a more commodious existence, they need to implement technologies of transforming the resources in their environment so as to enhance value. The first and most important transformative technology was agriculture. When private property is extended from chattels to land, opportunities to invest profitably in crop-producing potential are magnified many times over. Agricultural populations are more numerous and much wealthier than hunter-gatherers.

3. Locke writes, "God who hath given the World to Men in common, hath also given them reason to make use of it to the best advantage of Life, and convenience . . . [G]iven for the use of Men, there must of necessity be a means to *appropriate* [nature's goods] some way or other before they can be of any use" ([1689] 1988, 286, emphasis in original).

4. In the liberal tradition, competing with labor as the basis of original acquisition is first occupation. This is Kant's view. We need not enter here into the debate between these ownership criteria because any standard that establishes unambiguous property rights suffices as a foundation for the ascent from poverty.

5. Locke writes, "For this *Labour* being the unquestioned property of the Labourer, no Man but he can have a right to what is once joyned to, at least where there is enough, and as good left in common for others" ([1689] 1988, 288, emphasis in original). The concluding clause is known as the "Lockean Proviso." Locke also conditions legitimate ownership with the stipulation that the item appropriated not be wasted.

That wealth in turn affords a surplus that can be extended to other forms of production and concomitant development of urban areas.

Unless holdings are secure from usurpation, holders will lack incentive to undertake improvements. A prospect of long-term returns affords little incentive when it is likely that they will end up in someone else's pocket. When continuity of possession is uncertain, maintaining control rather than extending efficacy is the primary desideratum. In the absence of a rule of law, uncertainty is endemic. Both Hobbes and Locke paint scenarios of a state of nature in which life itself is precarious, and possession of goods yet more so. The remedy for the "inconveniences" of this condition is institutions that firm up the recognition and vindication of property rights. That is, original appropriation is not so much at issue—any lone wanderer in primeval forests can achieve that—as assured continued enjoyment of goods such that investment capital is rationally indicated. That prerequisite explains why liberalism places robust property rights at the center of its program.

Critics of "possessive individualism" have persistently misconstrued this theme as an encomium to bourgeois accumulation⁶ when it is better understood as a hypothesis about a necessary condition for the leap from penury into material comfort. That hypothesis was tested during the seventeenth and eighteenth centuries with results that many saw as indecisive at best; it came to be believed that private-property regimes' wealth-accumulation property structures could be equaled if not roundly surpassed by socialized property structures. To the extent that such disputes ever achieve decisive resolution by the thought and practice of a historical epoch, the twentieth century speaks with abundant clarity, vindicating the classical-liberal hypothesis against its socialist detractors. The great discovery was that the values of freedom, peace, and prosperity are mutually reinforcing under liberal institutional arrangements. Robust private-property rights are integral not only to processes of wealth accumulation, but also to security of life and liberty.

Commerce, Division of Labor, and the Great Leap into Prosperity

Locke viewed the ordinary workingman of his time as doing rather well by comparison with American savages, who lacked the benefits of private-property conventions that enable the productive application of labor and who therefore languished at the level of hunter-gatherers.⁷ Compared with workers in medieval Europe or ancient

6. The progenitor of this critique is C. B. McPherson (1962).

7. According to Locke, "I think it will but be a very modest Computation to say that of the *Products* of the Earth useful to the Life of Man 9/10 are the *effects of labour*: nay, if we will rightly estimate things as they come to our use, and cast up the several Expences about them, what in them is purely owing to *Nature*, and what to *labour*, we shall find, that in most of them 99/100 are wholly to be put on the account of *labour*"; and "*Americans* . . . are rich in land and poor in all the comforts of life; whom nature having furnished as liberally as any other people, with the materials of plenty, *i.e.* a fruitful *soil*, apt to produce in

Rome, however, seventeenth-century laborers were not especially advantaged. Neither income levels nor mortality rates had changed much in more than a millennium.⁸ This situation meant that poverty remained endemic, the condition of many and a lively possibility for many more. In Locke's time as in Caesar's, the wealth pyramid remained intact. For reasons that scholars still debate, this human condition began to change first in a small corner of northwestern Europe and then on both sides of the Atlantic. The first great theorist of the transformation was Adam Smith.

In *An Inquiry into the Nature and Causes of the Wealth of Nations*, Smith seeks to ascertain the conditions under which nations can gradually but ineluctably render themselves richer. The primary mechanism for wealth enhancement, and the one on which all other meliorative policies rest, is the *division of labor*. The more that productive processes are broken down into distinct stages carried out by distinct parties, the greater the scope of the division of labor. Smith contends that in almost every case, increased specialization generates enhanced efficiency. It follows that the further the division of labor proceeds, the larger the output available to be divided among all segments of society. Increasing division of labor cannot usefully be promoted by command from above (although often it is thereby stymied), but it is the predictable outcome when people are left alone to act on the intrinsic and perpetual desire to better their own condition. "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things" (qtd. in Cannan 1904, 1:xxxv). Smith speaks of generalized non-interference as a *system of natural liberty*. "Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men" ([1776] 1904, 2:184). The system of natural liberty is the fount of wealth.

Noninterference may be natural, but it is not common because of cupidity and ignorance. Potential competitors' liberty is deemed (correctly) a liberty dangerous to one's own enrichment, and thus producer and merchant guilds routinely seek to benefit themselves by restraining trade. According to Smith, "It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary [by law]" ([1776] 1904, 1:130). In the system of natural liberty, therefore, "the sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no

abundance, what might serve for food, raiment, and delight; yet for want of improving it by labour have not one hundredth part of the conveniences we enjoy; and a king of a large and fruitful territory there, feeds, lodges, and is clad worse than a day-labourer in *England*" ([1689] 1988, 296–97, emphasis in original).

8. See, for example, Maddison 2007.

human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society” ([1776] 1904, 2:184).

For Smith, the problem is not necessarily one of self-interested, rent-seeking public officials’ being induced to grant favors to some and impose costs on others. Well-meaning statesmen may believe that they will enhance the wealth of their own realm by imposing direction on economic activity, but for the most part they secure the opposite of what they intend. In particular, to the extent that they discourage purchases of foreign goods, they truncate the division of labor and ensure that domestic industry is occupied along less rather than more efficient avenues. They fail to recognize the benign workings of what Smith calls the *invisible hand*. That term is not put forth as the invocation of a quasi-theological providence, but rather signifies a strikingly vigorous contention that in a wide range of circumstances the self-interested activities of numerous independent parties will be effectively coordinated by the signals transmitted in markets: “The uniform, constant and uninterrupted effort of every man to better his condition, the principle from which public and national, as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration. Like the unknown principle of animal life, it frequently restores health and vigour to the constitution, in spite, not only of the disease, but of the absurd prescriptions of the doctor” ([1776] 1904, 1:325). Even in the absence of central direction (or rather, *especially* in the absence of central direction), free agents will achieve finer and finer divisions of labor, thereby augmenting wealth.

Commercial society is the unshackling of markets and the concomitant liberation of human ingenuity to devise novel extensions of the division of labor. The result envisioned is not simply enhanced national wealth, but, in particular, the prosperity of the working class. Smith defends liberty throughout the investment, production, and exchange process, but with regard to no aspect of it is he more eloquently insistent than concerning workers’ right to avail themselves of opportunities to better their condition. They must be free to travel to where labor is in higher demand and to contract with willing employers without third-party interference from governments or guilds. The laborers whose rights Smith ardently defended were precisely those in the population who had always perched precariously close to the precipice of poverty. A central hypothesis informing *Wealth of Nations* is that the coming of commercial society will render the incidence of poverty less common and less dire.⁹

9. “Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed, and lodged” (Smith [1776] 1904, 1:80).

Although it is more than a little anachronistic to think of Smith's political economy in the context of Rawls's (1971) difference principles of justice, a possible justification for the system of natural liberty in economic affairs is that it does better by the bottom segment of society than any feasible alternative order.

In the event, Smith's optimism concerning possibilities for improvement in the condition of the poor and near-poor proved to be too modest.¹⁰ Although his reputation is that of the godfather of capitalism, it is important to recall that when *The Wealth of Nations* first appeared in 1776, no locomotives were pulling railroad cars across the green valleys of England, the factory system was embryonic, electricity was a curiosity used in parlor tricks, not in production, and sole proprietorships rather than limited-liability corporations were the dominant business form. The technological explosion in both machinery and methods of finance that would usher in the Industrial Revolution still glimmered on the horizon. When these innovations did appear in full strength, opportunities to generate wealth took the form not only of the division of existing productive processes into finer and finer segments, but also of the invention of completely unprecedented processes. The Industrial Revolution rested on the prior development of commercial society (which is why it came earlier and more forcefully to economically freer parts of the world) and augmented the latter's power to generate wealth. By the thousands and then the millions, individuals lifted themselves not only out of poverty but into middle-class affluence.¹¹

To be sure, the elevating force of these twin engines was not immediately evident. Great transformations are rarely smooth, and the Industrial Revolution was certainly no exception. The wretched slums and "satanic mills" of early-nineteenth-century England could appear to an honest and unbiased observer as a disastrous step backward from a previous time of generally greater well-being. Ironically, however, by the time socialism emerged, whether in Marxian or more irenic incarnations, it had become clear that free-market forces were propelling national economies to unprecedented levels of overall wealth, thereby setting the working class on a trajectory of enhanced prosperity. Economic historian Jeffrey Williamson has declared that "unless new errors are discovered, the debate over real wages in the early nineteenth century is over: the average worker was much better off in any decade from the 1830s on than any decade before 1820" (1985, 18).

In a steady-state world, poverty is a phenomenon of maldistribution: some people have too little because others have too much. Melioration will then be sought by effecting transfers from the haves to the have-nots, either through voluntary charity or by compulsion. We say "melioration," not "remediation," because even if

10. Of course, compared to the gloomy forecasts of David Ricardo, Thomas Malthus, and Karl Marx, Smith's prognostications look remarkably well directed.

11. Deirdre McCloskey estimates that world average income per capita has increased by a factor of eight and a half since 1800 (2006, 16).

holdings are rearranged to generate a somewhat more even distribution, a large segment of the population will remain perched uncomfortably close to the edge of exigency. Jesus was hardly the only one to assume that the poor would always be with us; that estimation of the human condition was an accurate one throughout history until, as it were, the day before yesterday.

Liberalism's prescription for alleviating poverty was utterly distinctive compared to that of all previous creeds. Rearranging holdings was of secondary importance; the primary desideratum was to increase the magnitude of those holdings. The brisker the pace of the march toward opulence, the greater the proportion of the populace enabled to enjoy economic security. Traditional liberalism cared deeply about equality, but the equality that mattered was that of basic rights, not of wealth or income. If some acquire great holdings of capital, that acquisition provides a foundation for productive investment that increases many others' employment and earnings. Of course, it is not a logical truth that wealth will trickle down so nicely. Bad luck, bad individual decision making, or bad policy (for example, the government actions that precipitated and then exacerbated the Great Depression) will leave some outside looking in. Liberals are not Pollyannas who believe that want is on the verge of eradication. Wealth creation remains, however, the most powerful engine for increasing the numbers of those comfortably inside looking out.

Classical liberalism is not per se a predictive economic theory. It would not be inconsistent even in a steady-state world to advance a normative program of rigorous respect for property rights coupled with radically limited government. That approach would express a philosophy distinctly unappealing to those at the bottom of the social pyramid. Their only opportunity to move toward greater affluence would be to send others in the opposite direction, a movement unlikely to be achieved by treating existing property rights as sacrosanct. If, however, the system of natural liberty lubricates progress toward opulence, the theory becomes more attractive. We do not maintain that the history of the past two centuries' wealth accumulation confirms the precepts of liberalism—it is not clear what such confirmation might mean—but it does at least render liberalism impervious to some of the criticisms that might otherwise carry conviction. If, for example, workers in capitalist orders experience steadily increasing incomes that hoist them into the middle class, then charges of exploitation, let alone “immiserization” (à la Marx) lose their cogency.

It does not follow that liberals should recommend a diet of *laissez-faire* seasoned with yet more *laissez-faire*. Free markets are indeed the main course. They have shrunk continents of misery into islands. Yet those islands are also human beings who possess dignity and moral worth. They too ought to be afforded prospects of leading decent lives. From the very early years of liberal theory, attention to the plight of those who are not carried along by waves of increasing plenty has been part of the account, albeit not the primary motif. We turn now to the islands.

Islands of Poverty

It is to the credit of citizens of contemporary liberal democracies that when they observe scattered groups of people seemingly trapped in the grip of poverty and hopelessness, they demand that something be done about it. It is to the discredit of these citizens that they also quickly assume that agents of the state should be charged with the doing. They forget Smith's cautions that government programs, even if well meaning, often yield results quite different from those intended. Here more than anywhere, classical and egalitarian liberals diverge.

Egalitarian liberals agree with their classical cousins that people should be protected from interference, but they claim that noninterference is not all that people need in order to lead a minimally acceptable life. They correctly observe that one who is entirely free from interference might nonetheless lead a miserable life. No amount of scrupulous noninterference can substitute for a decent income, health, education, and housing. Liberty appears to be of special value only to those who already possess the rest of the package. Therefore, according to the egalitarians, a central task of the state must be to guarantee all its citizens a healthy supply of welfare goods, even if doing so entails, for example, compromising its well-off citizens' economic liberties.

We have no quarrel with the observation that all people have an interest in possessing not only liberty, but also a full measure of welfare goods. That observation should be, however, the beginning of an inquiry into government's proper role rather than a transmission of its marching orders. What people need to lead good lives is one question; the source of those goods is another. Even if welfare and liberty goods do not differ with regard to the gravity of people's interest in them, they differ in the technology of their provision. If noninterference is to be enjoyed at all, it has to be provided by others. In fact, *all* others have to be the providers if an individual is going to have it. Fortunately, except for the odd meddling busybody, provision comes pretty easily for most. One does not have to move a muscle to provide others with noninterference. At this very moment, you are honoring the right of *billions* of people to be free of interference. And, of course, billions of people are honoring yours. Liberty's universality and reciprocity make it a uniquely attractive moral commodity.

Positive provision of welfare goods such as cash, public housing, and health-care services is not costless, not universal, and certainly not reciprocal. It necessarily divides society into distinct classes of givers and getters. The former are thereby disadvantaged vis-à-vis the latter, which explains why welfare rights are problematic in the way that liberty rights are not and why classical liberalism takes the latter to be primary (Lomasky 1987, chap. 5). *Primary*, though, is not the same as *exclusive*. The question at issue is whether the primacy of liberty is consistent with recognition of any welfare rights at all. Do certain situations, perhaps calamitous ones, require positive redress?

Almost everyone within the tradition has said yes. Unsurprisingly, Locke offers a classic statement:

God the Lord and Father of all has given no one of his children such a property in his peculiar portion of the things of this world, but that he has given his needy brother a right to the surplusage of his goods; so that it cannot justly be denied him, when his pressing wants call for it: and therefore no man could ever have a just power over the life of another by right of property in land or possessions; since it would always be a sin, in any man of estate, to let his brother perish for want of affording him relief out of his plenty. As justice gives every man a title to the product of his honest industry, and the fair acquisitions of his ancestors descended to him; so charity gives every man a title to so much out of another's plenty, as will keep him from extreme want, where he has no means to subsist otherwise. ([1689] 1988, 170)

This passage is a favorite of egalitarian liberals, taken as a devastating admission from the citadel of the opposition. Hardly ever do they acknowledge the stringency of the eligibility conditions for Lockean welfare rights. First, any rights that might reasonably be gleaned from this passage apply only in circumstances of people's "extreme want." What is guaranteed is a decent minimum rather than any more copious comforts. It certainly does not display even a whiff of support for egalitarianism. Second, one's claim against others is contingent on one's having fairly well exhausted one's own attempts to provide, so that "no means to subsist otherwise" exist. Those in need of welfare checks because paid employment would interfere with their surfing would get no relief from Locke. Third, legitimate claims may be made only against "another's plenty." Redistributive policies that place too great a burden on individuals who are compelled to contribute through a taxation scheme or too much pressure on economic incentives to generate additional wealth should be rejected. Welfare rights cannot extend far without having seriously deleterious effects on others' welfare. Finally, Lockean welfare rights are said to derive from a duty of *charity*. We are not sure this stipulation makes sense, but insofar as Locke had in mind affirmative welfare measures that were politically authorized as entitlements against public funds, the idea may be that the state appropriates this function in circumstances where voluntary contributions are not forthcoming. Locke seems to be adding as a further condition for government welfare policies that welfare rights should not crowd out private, voluntary charity.

Immanuel Kant argued for similarly conditioned welfare rights: "To the supreme commander there belongs *indirectly*, that is, insofar as he has taken over the duty of the people, the right to impose taxes on the people for its own preservation, such as taxes to support organizations providing for the *poor* . . . usually called charitable or pious institutions" ([1797] 1996, 100). In contrast with Locke,

however, Kant brought the justification for welfare provision decisively out of the Middle Ages; divine providence disappears from the picture.¹² Kant's justification for welfare rights is continuous with his rationale for why individuals should quit the state of nature and enter into civil society: "from private right in the state of nature there proceeds the postulate of public right: when you cannot avoid living side by side with all others, you ought to leave the state of nature and proceed with them into a rightful condition" ([1797] 1996, 86). Kant employs a social-contract heuristic to make the point that people must agree to join a political order and mutually submit to coercive enforcement in order to have their rights and freedom legitimately enforced. Lawful coercion (consonant with the freedom of everyone in accordance with universal laws) is necessary because "no one is bound to refrain from encroaching on what another possesses if the other gives him no equal assurance that he will observe the same restraint towards him" ([1797] 1996, 86).

Similarly, intervention to aid the poor is necessary, according to Kant, because the general will of the people has united itself into a society in order to maintain itself. One way it does so is by preserving those who are unable to meet their own needs: "For reasons of state the government is therefore authorized to constrain the wealthy to provide the means of sustenance to those who are unable to provide for even their most necessary natural needs. The wealthy have acquired an obligation to the commonwealth, since they owe their existence to an act of submitting to its protection and care, which they need in order to live; on this obligation the state now bases its right to contribute what is theirs to maintaining their fellow citizens" ([1797] 1996, 101). Given that the more prosperous members of society derive significant benefits from civil society, as compared with the state of nature, they have shouldered an obligation to help those who are not so fortunate. Moreover, they had better do so if they want to continue deriving those benefits. Kantian welfare rights are grounded in the recognition that the poor, like everyone else, have their own conceptions of the good, but their tragedy is that they lack the means to pursue them effectively. When they cannot secure those means through their own most intensive activity, others must do so on their behalf. That provision in turn gives the poor reason to hold up their end of the social bargain by abjuring aggression against others. None of this can work, however, unless the system of natural liberty, that unsurpassed generator of wealth, remains untrammelled. Indeed, as we have argued elsewhere, if noninterference were truly generalized to all sectors of society, including those who now count among the poor, poverty would be much scarcer than it is now even in the most prosperous countries. Government-granted monopolies, minimum-wage laws, occupational licensure provisions, "victimless crime" statutes, zoning ordinances, and other market restrictions obstruct gains from trade, especially among the poor. (Neurosurgeons are rarely obstructed by minimum-wage laws.) A bloated

12. Compare Locke, *First Treatise* IV, §42, or *Second Treatise* V, §26 ([1689] 1988, 170 and 286), with William of Ockham ([1332–34] 2001, 443).

and entrenched welfare state generates an army of bureaucrats whose budgets, and thus whose interests, are tied to perpetuating a distinct class of recipients dependent on handouts. If even these pieces of “low hanging fruit” (Epstein 2004) were picked off the public-policy tree, then remaining islands of poverty would be even fewer and farther between.

Liberalism no less commends voluntary philanthropic activity than voluntary commercial relationships. It is an open question whether any sizable welfare-state subventions would be needed if government stopped creating poverty through its legislative and regulatory burdens and if the state ceased crowding out private charitable provision in the antipoverty sector.

Oceans of Poverty

Our discussion to this point has been radically incomplete in the way that almost all liberal political philosophy prior to the past few decades has been incomplete: the scope of the precepts it advances extends no farther than the borders of individual states. Although poverty remains a social problem for the United States, members of the European Union, and other developed countries, it is tractable with regard to both the number of those affected and the depth of their distress. These well-favored societies are, however, surrounded by oceans of poverty beyond their borders. Although comparative income assessments are methodologically problematic,¹³ approximately 2.1 billion people are surviving on less than two dollars per day, and 880 million on less than one dollar per day (World Bank 2008, 336–37). They live in squalor, inadequately fed, shabbily housed, and provided with few or no medical services. Hunger, disease, and premature death are familiar companions. This litany of evils applies with even greater force to the children in poverty. They stand as an implicit moral reproach to the “I’ve got mine!” satisfaction of wealthy liberal regimes. How does liberalism respond to wealth discrepancies across borders that are orders of magnitude greater than those within?

We cannot attempt here to spell out a classical-liberal theory of global justice.¹⁴ We recognize, though, that transnational concerns will become increasingly important throughout the new century, not least with regard to the obligations that the citizens of rich countries have to their unfortunate brethren in the planet’s sinkholes. We are pleased that these issues are now receiving a great deal of attention both within the scholarly monographs of moral philosophers¹⁵ and in the

13. If cross-country income comparisons are made using currency exchange rates, they will fail to reflect differences in the price levels for nontraded goods, such as housing (typically much less costly in poor areas). Therefore, it is usually preferable to build into income comparisons relativization to the purchasing power parity of the currency with regard to a standardized basket of goods. However these determinations are made, the methodology of relative income and wealth assessment is not an exact science.

14. Much of this section recapitulates the discussion in Lomasky 2007.

15. See, for example, Singer 2002 and Pogge 2008.

corridors of power.¹⁶ We are less pleased, however, with the form that this discussion frequently takes. It too often presumes that solutions are to be found within the realm of distributive rather than productive justice, that the poverty of the poor is to be laid at the doors of the coffers of the rich. This presumption pays inadequate heed to the lessons liberalism learned during its formative period. Here is how we see the application of those lessons to contemporary global wealth disparities.

The problem of endemic poverty has been solved—in theory. The progression of opulence is no longer confined to a narrow band of economies. Rather, wealth has emigrated throughout the world. The plague of ubiquitous poverty has been abolished in small as well as large countries, the resource poor as well as the resource rich, the tropical and the temperate, some of ancient provenance and others recently independent. This development represents one of the truly momentous alterations of the human condition since mankind first crept out of Africa. Nor is its accomplishment a mystery. Wherever robust private-property rights are protected under the rule of law, societies prosper; otherwise, they struggle. Advanced technology and commercial practices flow into locales that are friendly to the deployment of capital—friendly in precisely the terms commended by classical liberalism. Capital generates employment, wages rise toward levels of marginal productivity, the vanguard's enhanced purchasing power creates opportunities for the next wave, and so on.

As in the original Industrial Revolution, growth is accompanied by wrenching dislocations. This time around, though, they are milder because contemporary advancing economies can lean on those that have already achieved affluence. They do not have to accumulate capital painstakingly from within or devise by laborious trial and error all of their own techniques of production. Money and information traverse international borders at the speed of light, managers and engineers only somewhat less rapidly. The results are dazzling. In less than one generation, hundreds of millions of Chinese people have lifted themselves out of grinding poverty. India shows itself to be on the verge of following the same course. These developments have nothing to do with meticulous attention to the canons of so-called distributive justice; they are entirely attributable to the establishment of preconditions for the functioning of markets.

Poverty is mostly homegrown. War and cataclysmic natural disaster aside, the absence of a share in the onrush of global affluence is attributable to dysfunctional domestic structures. Tyranny, kleptocracy, and outmoded ideology lay low the potential economic dynamos (for example, Mugabe's Zimbabwe, Castro's Cuba, India during the heyday of Congress Party Fabianism). This proposition does not imply that a necessary precondition for an initial leap into affluence is good government. If it were, starvation and despair would be far more widespread than they are today.

16. To much notice in the press, participants at the 2005 G8 meeting in Gleneagles, Scotland, pledged a drastic reduction in extreme poverty by 2015 in keeping with United Nations Millennium Development Goals. To much less notice, progress toward those goals has been scant.

The good news is that prosperity is compatible with much political bad news. When South Korea, Taiwan, and the other Asian Dragons began their meteoric rise, they were governed by a collection of unsavory autocrats—as China, that greatest of all the dragons, is now. Provided, however, that governments exercise a modicum of restraint in their impositions on capital, development proceeds apace. With some luck, the introduction of basic economic liberties will be accompanied sooner rather than later by greater personal liberty and the burgeoning of democratic forms of governance.

All that is needed, then, for poverty to be put permanently on the defensive in an underperforming nation is the establishment of basic liberal institutions. Yes, but the preceding sentence should be voiced in a clearly sardonic tone. Foreign well-wishers can easily send in infusions of cash, state-of-the-art productive processes, and World Bank consultants by the score. Excruciatingly more difficult is the transplantation of effective economic, legal, and political institutions. Individuals who have climbed the slippery pole of power or who have drunk deeply from a collectivist ideological potion are disinclined to divest themselves of the authority they currently enjoy. Short of initiating war, outsiders have few means of persuading them to go into an overdue retirement and fewer still to vet the humanitarian credentials of would-be successors. Poverty in Ruritania is, then, predominantly a Ruritanian problem with regard to both its cause and its cure. This claim does not “blame the victim.” The victims are, of course, the dispossessed masses, and to them we should extend a full measure of compassion, irrespective of whatever more tangible aid can be supplied. We emphatically reject the implication that the ruling classes are victims of anything other than their own viciousness. They and not the citizens of affluent countries are the primary perpetrators of the problem. The latter can, at best, play only a secondary, supporting role. But as the Academy Awards recognize and we shall now endorse, supporting roles are crucial too.

Calling it aid does not make it so. Liberalism in its classical form is above all a theory of noninterference. What one may not do is encroach on people’s (negative) rights. We reject the contention that the world’s wealthy countries are culpable for not transferring enough of their resources to poor countries. That claim is mistaken for three reasons. First, foreign-aid payments are not morally obligatory. Almost never is one under an uncontracted obligation to assist others in the preservation of their life, liberty, or property. Second, the quantity of resources transferred from the rich to the (formerly) poor via ordinary market mechanisms of trade and investment is enormous, entirely dwarfing what has been or might be extended as a matter of foreign aid. Third, foreign aid is not especially likely to be beneficial to the beneficiaries on balance because the natural interlocutors of governments are other governments (Bauer 1972, 1984, 1991). When aid is supplied via official channels, it typically goes into the accounts of the functionaries who are responsible for the distress that occasions the need for aid. At best, they will have further opportunities to reveal their economic incompetence; at worst, they will have greater means to intensify their depredations. Moreover, people often compete for those means.

The typical distribution of foreign aid makes getting to the top of the political heap in recipient countries that much more appealing at the margin. This potential prize in turn encourages disproportionate investment in the type of resources that are more likely to keep or take one to the top. The amount of armed conflict in countries receiving foreign aid is shocking; even when conflict has been largely avoided, however, the quest to secure foreign subventions has tended to deflect resources from economic activity with the potential to generate wealth in the long term.

Nor is it likely that the givers' motives are thoroughly altruistic. When governments carry out their operations, they quite properly attend to their own interests. Official aid is at least as much a tool for conducting diplomacy as it is a means of alleviating distress. These two ends are apt to be at cross purposes—not offending the powers that be is the essence of international politesse—and when they are, humanitarianism is the clear favorite to take second place. Provision of foreign aid has also been a means by which governments benefit domestic producers, or at least the ones with the most talented lobbyists. When U.S. aid agencies purchase condoms for overseas AIDS prevention and family-planning programs from U.S. companies at more than double the cost of foreign-produced condoms, as they were found to be doing in 2006, questions arise about the extent to which foreign aid is directed toward saving jobs at home rather than saving lives abroad.

These observations are not an indictment of aid per se. It can do a great deal of good when appropriately targeted, especially when extended by private organizations such as Oxfam or the Gates Foundation. Unlike governments, these organizations are not beholden to convoluted reasons of state, and they enjoy closer access to the ultimate beneficiaries. Liberalism is no less an exponent of voluntary philanthropy than it is of free markets. A supposition that only states can effectively dispense assistance is foreign to its spirit. We do not maintain that governments should withdraw entirely from the aid business. In cases of great natural disasters, such as the December 2004 tsunami, their capacity to marshal vast amounts of resources quickly is liable to be indispensable. For the most part, though, their role should be to run interference for private aid providers, shielding them as much as possible from the various corruptions and pressures in host nations. This sort of public-private partnership can pay genuine dividends.

First, do no harm. When states get into bed with foreign oppressors, they are complicitous in the violation of rights. Alas, sometimes such complicity is excusable. No more monstrous tyrant than Joseph Stalin ever filled gulags and graveyards, yet for a time it was expedient for the Allied powers to join their forces to his. Not every foe, however, is Hitler. The standing presumption is strongly against accommodation with evil. One great service that can be done for the world's poor is not to provide succor to the impoverishers who rule them. Another is to eschew impeding the efforts of rich and poor people alike to effect profitable commercial relationships. Protectionism violates the liberty rights of both foreign producers who seek to better

themselves by entry into our markets and domestic consumers who wish to secure the best terms on offer. So, for example, subsidies to domestic agricultural interests enable them to undercut foreign producers, thereby consigning untold thousands of African farmers to destitution. More prosaic but similarly unjustifiable, these measures coercively take from domestic buyers and give to domestic producers. “Egalitarian” liberals typically support policies that subsidize various domestic industries and their employees, but the effect, of course, is usually to exacerbate domestic and, especially, international inequalities. We do not care about the inequality *per se*, but we do care about coercive infringements of liberty and the poverty they breed.

More controversial perhaps, intercepting people whose purpose is entirely peaceful and disallowing them from crossing national borders to work or study is, we maintain, a stark violation of the liberty right to free movement. It is often taken for granted that states are entitled to control their own borders and keep out would-be entrants pursuant to the states’ domestic economic policy. To see how questionable that proposition is, suppose that the states in question are Michigan and Ohio. Virtually everyone would view unilateral closure of their border as intolerable. What can render the same action permissible when the borders are those of sovereign states? We are not prepared here to offer an extended argument in support of this conclusion.¹⁷ Instead, we content ourselves with lodging the admittedly *ad hominem* point that those who most insistently urge the positive right of the global poor to receive large subventions from wealthy nations resist acknowledging a negative right not to be prevented from entering those nations to better their lot.

Conclusion

One influential classical-liberal statement affirms all human beings’ right to life, liberty, and the pursuit of happiness. Poverty hobbles the pursuit of happiness, and that fact, rather than base cupidity, explains why liberals traditionally have emphasized the creation of institutions conducive to the generation of wealth. From its earliest years, liberalism has wagered that a regime of capacious individual liberty is the most reliable way to deal with the poverty dilemma. That bet has paid off handsomely time and again, first in the Atlantic corridor, then throughout Europe and North America, and more recently around the world, but because billions of individuals still suffer extreme privation, the present is no time for liberals to rest on their nineteenth- and twentieth-century laurels. The challenge is to ensure that in the new century the lessons of John Locke and Adam Smith will find apt and effective students.

17. For an extended argument, see Lomasky 2001.

References

- Bauer, Peter T. 1972. *Dissent on Development: Studies and Debates in Development*. Cambridge, Mass.: Harvard University Press.
- . 1984. *Reality and Rhetoric: Studies in the Economics of Development*. London: Weidenfeld and Nicolson.
- . 1991. *The Development Frontier: Essays in Applied Economics*. Cambridge, Mass.: Harvard University Press.
- Cannan, Edwin. 1904. Editor's introduction to *An Inquiry into the Nature and Causes of the Wealth of Nations*, by Adam Smith, 2 vols., 5th ed., 1:xiii–xlvii. London: Methuen.
- Epstein, Richard. 2004. *Free Markets under Siege*. London: Institute of Economic Affairs.
- Kant, Immanuel. [1797] 1996. *The Metaphysics of Morals*. Translated by Mary Gregor. Cambridge, U.K.: Cambridge University Press.
- Locke, John. [1689] 1988. *Two Treatises of Government*. Edited by Peter Laslett. Cambridge, U.K.: Cambridge University Press.
- Lomasky, Loren. 1987. *Persons, Rights, and the Moral Community*. Oxford, U.K.: Oxford University Press.
- . 2001. Toward a Liberal Theory of National Boundaries. In *Boundaries and Justice*, edited by David Miller and Sohail Hashmi, 55–78. Princeton, N.J.: Princeton University Press.
- . 2007. Liberalism across Borders. *Social Philosophy and Policy* 24, no. 1: 206–33.
- Maddison, Angus. 2007. *Contours of the World Economy, 1–2030 AD: Essays in Macroeconomic History*. Oxford, U.K.: Oxford University Press.
- McCloskey, Deirdre. 2006. *The Bourgeois Virtues: Ethics for an Age of Commerce*. Chicago: University of Chicago Press.
- McPherson, C. B. 1962. *The Political Theory of Possessive Individualism: Hobbes to Locke*. Oxford, U.K.: Clarendon Press.
- Orshansky, Mollie. 1965. Counting the Poor: Another Look at the Poverty Profile. *Social Security Bulletin* 28, no. 1: 3–29.
- Pogge, Thomas. 2008. *World Poverty and Human Rights: Cosmopolitan Responsibilities and Reforms*. 2d ed. Cambridge, U.K.: Polity Press.
- Rawls, John. 1971. *A Theory of Justice*. Cambridge, Mass.: Harvard University Press.
- Singer, Peter. 2002. *One World: The Ethics of Globalization*. New Haven, Conn.: Yale University Press.
- Smith, Adam. [1776] 1904. *An Inquiry into the Nature and Causes of the Wealth of Nations*. 2 vols. 5th ed. Edited by Edwin Cannan. London: Methuen.
- William of Ockham. [1332–34] 2001. *The Work of Ninety Days*. Translated by John Kilcullen and John Scott. Lewiston, N.Y.: Edwin Mellen.
- Williamson, Jeffrey. 1985. *Did British Capitalism Breed Inequality?* Boston: Allen and Unwin.
- World Bank. 2008. *World Development Report 2008*. Washington, D.C.: World Bank.