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Liberty
and
Equality

LORD ROBBINS, CH, CB, FBA

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Liberty and Equality

LORD ROBBINS

1. Unless there is personal liberty human action cannot be judged as ethical or unethical.
2. Classical liberalism assumes a framework of law that stops people from interfering with one another's liberty. Since the rules are imposed by collective decision, this necessarily involves coercion of people who do not approve.
3. Equality of opportunity is desirable but not at the cost of destroying the family.
4. Equality of opportunity could be strengthened by minimum standards of education facilitated by school grants and vouchers for people with low incomes, and student loans repayable if incomes are considered adequate. Families should also be free to spend on education (or health) as well as on display, enjoyment, etc.
5. Equality of opportunity is restricted by monopolistic suppression of access to markets by producers' organisations.
6. Inequality of incomes tends to arise from the preferences of consumers and voters between personal skills. Equal pay for unequal work prejudices people with less capacity by making them unemployable.
7. Enforced equality of pay requires direction of labour. Phases I and II of the incomes policy have tended to cause unemployment among the relatively unskilled and a scarcity of the relatively skilled.
8. There is a strong case for proportional taxation, but some degree of progression is to be justified in that it requires the rich to bear a larger burden than the poor. Beyond a point there is a strong presumption that it must weaken incentives.
9. The central control of the means of production favoured by Western parties of the Left is likely to be less efficient than the decentralised controls of market systems. The markets used by Communist countries tend to break down because the degree of decentralisation necessary creates independence from the central power.
10. Private property should be widely dispersed but its taxation by graduated estate duties tends to destroy it. Dispersal would be facilitated by legacy duties creating a financial incentive to diffusion of bequests.



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Preface

THE *Occasional Papers* are intended to make essays and addresses of outstanding importance accessible to a wider readership than that to which they were originally addressed.

Occasional Paper 52 is an expanded version of a lecture delivered by Professor Lord Robbins in Mexico City under the auspices of the Banco di Commercio and at the independent University College at Buckingham. In his first major work, *The Nature and Significance of Economic Science* (1932), which became known as a classic statement of the content of economics, he showed that human behaviour was not to be divided between the economic and the non-economic but that economics studies aspects of all human behaviour. In this lecture he discusses liberty and equality primarily as an economist although he also touches on political, moral and other aspects. And in this version he applies the general principles to recent and current public issues, for example the effects of high taxation on incentives, trends in education (student loans and school vouchers), centralised decisions and devolution, 'equal pay', restrictive practices in the labour market, and others.

The lecture is rooted in classical English economic liberalism and is couched in the elegant prose style to which Lord Robbins has accustomed his students, colleagues and readers. It exhibits both the gracious manner with which he attributes the highest motives to adversaries and also the dialectical skill by which he disarms them by conceding the element of strength in their case and trumping it with relentless logic and appeal to history.

The resulting *Paper* thus comprises a microcosm of the thinking of an economist who has dominated his profession and influenced British public policy, not least as Chairman of the Committee on Higher Education.

May 1977

ARTHUR SELDON

The Author

LIONEL CHARLES ROBBINS, CH, CB, FBA, was born in 1898 and educated at Southall County School, University College, London, and the London School of Economics. After lecturing at New College, Oxford (1924 and 1927-29, in the later dates as a Fellow), and the LSE (1925-27), he became Professor of Economics in the University of London at the LSE (1929-61). He was Director of the Economic Section of the Offices of the War Cabinet, 1941-45; Chairman of the *Financial Times*, 1961-70; Chairman of the Committee on Higher Education, 1961-63.

Among many honours, he was created a Life Peer in 1959 and a Companion of Honour in 1968. He is the first Chancellor of Stirling University (since 1968), a Director of the Royal Opera House, Covent Garden, and served as a Trustee of the National Gallery between 1952 and 1974. He was President of the Royal Economic Society, 1954-55, and President of the British Academy, 1962-67.

Lord Robbins's books include *An Essay on the Nature and Significance of Economic Science* (1932); *The Economic Causes of War* (1939); *The Economic Problem in Peace and War* (1947); *Politics and Economics* (1963); *The Evolution of Modern Economic Theory* (1970); *Autobiography of an Economist* (1971); and *Money, Trade and International Relations* (1971). His latest work is *Political Economy Past and Present: A review of leading theories of economic policy* (1976).

The IEA has published his Wincott Memorial Lecture, *Aspects of Post-war Economic Policy* (Occasional Paper 42, 1974), and several contributions to symposia.

Liberty and Equality

LORD ROBBINS

I

INTRODUCTION

THERE ARE few words in the vocabulary of social discourse which arouse a more immediate emotional response than the nouns I have chosen for my title. There are few which have given rise to more conflict, justified or unjustified, than the slogans in which they occur. However exalted their original usage, they have become the debased currency of the most banal political oratory. Indeed, I can think of no terms associated with more ambiguity of meaning or significance for action, let alone the alternative judgements which such ambiguities must entail. Men may die and societies be shaken as a result of actions inspired by one initial interpretation which in practice works out in a direction indicated by another. It is my object in this *Paper* to attempt to sort out some of these ambiguities and to indicate some of their implications. I shall try to show that some of the ideas involved fit together as complements, some are independent, some mutually inconsistent.

II

LIBERTY

I. *Definitions*

LET ME begin with the idea of liberty, which is the simpler and, in its personal aspects at least, involves the fewer complications.

From my point of view the concept of liberty essentially means personal freedom from coercion by other people. I am pretty clear that this is what is involved by normal linguistic usage. If we say that a man has liberty of action, we mean that he is not impeded by deliberate interference by someone else.

The main definitional problem here arises in the connection with the word freedom. If this word is used as denoting the absence of unnecessary restraint by other members of society, the

meaning is roughly speaking identical. But if it is associated with the absence of limitations of other sorts, it is not so. Thus an isolated individual is obviously free in the sense that his action is not coerced by others: he has complete liberty. But he may not be free from want, in the sense that, in his surroundings, the conditions of production do not suffice to procure him even elementary necessities, let alone the amenities of civilised society. I think much confusion has been caused by the use of the word liberty, which essentially involves freedom of choice and action, with such other uses of the word freedom. To identify liberty with freedom from material want may easily import conceptions which destroy the idea of liberty as it is properly used. And the confusion is not saved by the argument that 'true liberty' can only be achieved when certain other conditions are present. As well say that a man has not 'true freedom' in this sophisticated ethical sense if he uses his liberty in undue indulgence of the lusts of the flesh or in spending a disproportionate amount of his time listening to pop music. I know few examples of more muddled thinking than the so-called positive conception of liberty.¹

2. *The ethics of liberty*

If we accept the conception of liberty which I have recommended, the next question is: Why should we desire it?

Now I will not conceal from you that I personally regard liberty in this sense, subject to certain qualifications to be developed later, as one of the essential conditions of a good society. But can it be regarded as an end in itself such as goodness, truthfulness, the contemplation of beauty, love and so on? I doubt it. The idea of liberty embraces liberty to do bad things as well as good; and this often happens. On the other hand, it is not to be regarded as a specific means: it is not mere nourishment or gasoline or the materials of construction of one kind or another. The belief that liberty is a good in some sense more ultimate than that is a very fundamental conception of the libertarian outlook.

¹ I should be sorry if it were thought that this distinction is in any way original. It informs Sir Isaiah Berlin's 'Two Concepts of Liberty' (1955), in *Four Essays on Liberty*, Oxford University Press, 1969; Professor F. A. Hayek's *The Constitution of Liberty*, Routledge & Kegan Paul, 1960; and Professor Fritz Machlup's 'Liberalism and the Choice of Freedoms', in *Roads to Freedom: Essays in Honour of Friedrich A. von Hayek*, Routledge & Kegan Paul, 1969.

What therefore is its special status? I do not think we can get away by postulation of a natural right. Bentham said the idea of natural rights was 'nonsense on stilts'. I doubt if it deserves such outright condemnation: it has certainly served as the inspiration of some good causes. But the idea itself tends to disintegrate on close examination. A natural right to do just anything – that surely does not make sense as soon as we postulate the existence of society.

If we reject the natural rights philosophy, the question arises are we then to seek the solution in considerations of utility? The finest work ever written on the subject, J. S. Mill's famous essay, attempted to do just this. Liberty, he argued, was desirable in that it made for the greatest happiness – it served social utility in that sense. And certainly a very good case indeed can be made out on these terms, as Mill's arguments show. Yet I submit that, if you read between the lines of his eloquence, there is a more ultimate value attached to liberty *per se* than as a means to general utility, however that may be interpreted. Liberty seems to transcend the conception of a mere means in the ordinary sense. The question is how and why.

Speaking for myself, I think the solution is to be found in recognition that it is only action or expression which is free, which can be the subject of moral judgement at all. Unfree actions, like the weather, the growth of vegetation, or insanity, may have results which are agreeable or disagreeable. But they cannot be said to be right or wrong, just or unjust. In short, liberty, in the sense I have defined it, is a *condition* of any behaviour capable of being placed in a moral category. Unless it is present, human action is not susceptible to ethical judgement.

This does not mean, however, that liberty in this sense is the sole *desideratum* of a good society. Such a conception does not include liberty to interfere with other people's liberty. Classical liberalism does not assume a social free-for-all. It assumes essentially a framework of law precluding such interference. In this sense it is the antithesis of philosophical anarchism which regards legal restraints of any kind as not only undesirable intrinsically but also themselves responsible for most other evils. In his *Principles of Political Justice* (1793) – the *locus classicus* of this creed – William Godwin argues that if the state and legal institutions were abolished, all social disharmonies would cease, ill-health and poverty would vanish, and that eventually the race might even

become immortal. Whereas Adam Smith, so often accused by the ignorant of a universal let-alone policy, laid it down that

'justice is the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society, that fabric which to raise and support seems in this world, if I may say so, to have been the peculiar and darling care of Nature, must in a moment crumble into atoms'.¹

Now clearly law and the apparatus of justice involve coercion. The acceptance of rules of behaviour within which liberty is safeguarded may be a matter of unanimity. But there is no guarantee that this is so: indeed the contrary is more probable. When therefore we pass from the liberty of the individual to the framework within which that liberty *may* operate, we pass into a sphere in which decisions are taken that, although they may rest on the consent, tacit or active, of the majority, may be contrary to the wishes of the minority. This applies, too, to those forms of collective action, sanctioned by the liberal tradition, which must be done by the state if they are to be done at all since, to use Adam Smith's phrase,

'the profit could never repay the expense to any individual or small number of individuals though it may frequently do much more than repay it to a great society'.²

Here, as with the law, the decision is essentially *collective*. Once it is made the individual may indeed be affected, positively or negatively; but until it is reversed it is something he has to live with.

3. *Liberty and participatory democracy*

The question therefore arises, to what extent can we speak of liberty in this context of decisions which are essentially collective? The traditional answer is participatory democracy in some form or other. It should be clear at once that a whole host of new considerations are now relevant. It is worth noting, in the first place, that there have certainly existed societies in which there was much of personal liberty, in the sense in which I have been

¹ *The Theory of Moral Sentiments*, Oxford University Press, 1976, p. 86.

² *The Wealth of Nations*, Oxford University Press, 1976, pp. 687-8.

talking of it hitherto, where the making of laws and executive decisions involving indiscriminate benefit were matters in which the individual citizen had no immediate voice. It is true, as Hume argued, that ultimately all government rests on consent in the sense of acquiescence. But this applies to monarchies, despotisms and various forms of oligarchy as well as participatory democracy. It is also true – and disquietingly relevant – that political liberty in the democratic sense may be liberty to destroy other forms of liberty just as much as other types of government; and there is much reason to suppose that it may and, indeed, has done in certain instances in our own age.

Nevertheless it is not open to question that to be denied some say in law-making and collective decisions is, in an intelligible sense, a deprivation of liberty and a kind of liberty which has a *prima facie* appeal to mass emotion – often much more than the continuing incidental liberties of individual choice and expression. Moreover, there is this at least to be said for democracy as compared with other systems, namely, that it permits change without violence. And since, whatever may be said by unworldly persons of the desirability of the rule of the best or the wisest, etc., there is no obvious logical, as distinct from historical, basis on which other systems may be based, it appears that we have to accept a broad-based franchise as a *pis aller*. I confess, however, to considerable doubts of its eventual stability, unless buttressed by constitutional safeguards and a general climate of opinion which thoroughly understands the case for liberty in general – which is certainly not present in very many contemporary societies including our own.

4. *Liberty and national separatism*

There is a further complication in this respect. What if the members of particular geographical groups claim that it is a subtraction from *their* liberty if their votes and the powers derived from them are combined with the votes and powers of others in other groups. I have phrased the problem in abstract terms; but in fact it is the basis of almost every claim for national separatism in recent Western history. Frankly I do not know the answer to this question. Clearly the more extensive the collective functions discharged by the state, the more the resentment likely to be caused by what may be thought discriminatory implications. There

may be remedies for that by a more careful delimitation of the conception of what collective central decisions are necessary and what are capable of appropriate devolution to appropriately organised local area authorities. But such grievances, although real, are probably not the total or indeed the main forces behind national separatism. Language differences, religious differences, different implications of the law for the habits of different areas: again and again these have been the driving force of such fissiparous tendencies. The philologists and the theologians have a lot to answer for in this connection. And the argument that, carried to the extreme, such claims to liberty involve not only the danger of economic confusion but also the virtual certainty of diplomatic complications and even war, may not carry emotional convictions to the frenetic frames of mind which these differences often engender.

I suspect that no formulation of abstract principle is likely to be much help here. Yet the problems involve little less than the future of our common civilisation. I will only say that, while doubtless such cases deserve consideration on their merits – often remarkably small – in general my intellectual inclinations lie with the arguments of Hamilton, Jay and Madison in the *Federalist*, namely, that separate sovereignty carries with it the danger of chaos, and my emotional sympathies and admiration with the willingness of Abraham Lincoln to fight a most dreadful civil war to preserve intact the Union for which he was responsible, rather than risk the worse perils of a continent divided into independent states. To that extent and in that spirit I can be styled anti-libertarian. But I would plead that it is an attitude based on deep-rooted devotion to liberty in general.

III

EQUALITY

1. *Alternative conceptions and a disclaimer*

I NOW turn to the problems associated with the idea of equality. In some ways these are simpler than the problems of liberty. But, as we shall see, the possible meanings are less inter-connected and their implications are more divergent. Before dealing with them,

however, it is desirable to be clear about the appropriate plane of analysis and to avoid question-begging dogmatism.

Let me therefore first of all state quite definitely that I can conceive of few respects in which assertions of physical or psychological equality can be regarded as relevant to the arguments with which I shall be concerned.

The Declaration of Independence states that it is self-evident that men are born equal; and Adam Smith argued that, in the first few years of life, the difference between a porter and a philosopher was negligible, the inference being that all differences between human beings were due to environment or education.

Now, in so far as the authors of the Declaration meant that it was self-evident that in certain respects men *should* be treated *as if* they were equal, this is of course a proposition which deserves respectful discussion and under various headings will be the subject of the rest of this lecture. But in so far as they assumed, as Adam Smith seemed generously to argue, that there were *no* causes of inequality of ability and character other than external influences, they were surely wrong. It is really not sensible to argue that there are not genetic causes of difference as well. Men and women clearly differ in such observable qualities as height, weight, quickness of response, capacity for touch, smell, vocal tone and so on, which have certainly a genetic origin. It would really be most surprising that in the qualities relevant to adult performance of intelligence, leadership, and capacity for experiencing pleasure and pain, at the dentist or at the National Gallery, the genetic constituents were negligible.

Having said that – which I hope no parent or teacher or self-respecting scientist would deny – let me hasten to say that I do not think that we know very much about such influences. Intelligence tests are notoriously unreliable; and it seems that people may be prepared for them. I personally regard most generalisations about groups of people, classified by race or even sex, as at best insecurely founded and usually not only demonstrably wrong but also, if taken as a basis for political action, definitely evil. It is difficult to think of the usual run of generalisations in this universe of discourse, masquerading as scientific, without disgust and contempt. I hope therefore that to insist, as I do, that the discussion of equality as an objective is essentially a discussion of ethical desirability rather than of the implications of self-evident fact,

will not be taken to imply any identification with this sort of shallow nonsense.

If therefore we address ourselves to the idea of equality as an objective, we at once come upon at least four quite distinct and, in some senses, inconsistent alternatives: equality before the law, equality of opportunity, equality of reward and equality of property. These clearly involve separate examination.

2. *Equality before the law*

Equality Before the law seems to me to be a highly desirable objective. Needless to say, in practice, it may involve difficulties of interpretation concerning what is to be regarded as an equal relationship: that is what the Courts are there to settle. But the general conception that the inhibitions and rules of action imposed by law should be equally binding on all in similar positions is something which is not only congruous with the idea of a liberal society as I have tried to indicate it already, *it is also part of that idea*. That different people similarly situated should be differently treated, that the restraints or prescriptions of the law should apply to one and not to another, necessarily entails different degrees of liberty as I have defined it. A legal structure which applies differently to persons of different race, religion or political affiliation – in so far as the affiliation does not involve the objective of destroying the legal structure – as did certain religions in the past and certain political creeds in the present – is the reverse of liberal. It is the archetype of arbitrary discrimination, privilege and deprivation. Doubtless such régimes have been supported by arguments involving all sorts of hierarchical pseudo-scientific mysticism. But they are certainly incompatible with a liberal ideology.

3. *Equality of opportunity*

I come next to equality of opportunity. This seems to me an admirable objective, at once desirable on the principles of liberty and also of general social efficiency. *La carrière ouverte aux talents*, in so far as it can be achieved without interference with other desirable institutions, involves at once removal of obstacles to choice and the widest field for the recruitment of potential excellence. No wonder it should have been a banner of inspiration to libertarian reformers.

Nevertheless it cannot, however, be made a *sole* objective without endangering other conditions which it is desirable to preserve. Finance apart, there can be no doubt that it is a considerable initial advantage to be born into a happy and civilised family as compared with one which is not happy and civilised. As Plato realised, this is an inequality which can only be removed by the elimination of the institution of the family itself, that is to say, by taking children away from their mothers at birth and concealing from them the identity of their parents. I cannot believe that such a policy would be anything but a net loss to liberty, happiness and social stability.

This does not mean, however, that, where families are unable to afford educational facilities, nothing should be done and that the children should go uneducated. This is certainly a sphere in which inequality of opportunity can be improved. By almost common consent nowadays, in the interests of the children, education in institutions or by methods whose minimum standards are guaranteed by appropriate inspection, should be compulsory; and where family resources are inadequate to cover the costs, provision should be made in cash or kind – I personally prefer ear-marked vouchers – to make good the deficiency. I must confess, however, that in contrast with the enemies of diversity and experiment, I see no good purpose in limiting further family expenditure of this sort where the parents responsible think it desirable to make the sacrifice. Unless it is our aim completely to remove all inequalities of wealth and income, I see no justification for confining the advantages of superior spending power to ostentatious display and personal enjoyment and imposing an upper limit to spending on education or health. There are some current ideologies which seem to hold that it is permissible to work harder to buy a car or foreign travel but not to give any special help to one's children or sick members of the family. I find this patently absurd.

Assuming therefore that, in some way or other up to a sensible school-leaving age, there is equal access to the basic requirements of general education, there are further measures which can diminish inequalities of opportunity. In any given population there are likely to be found young persons who have both the ability and the willingness to benefit by continuation of study, either academic or technological, beyond the school-leaving age.

But not all of them will command the resources which will enable them to do so, although, if they had such resources and if their studies were successful, there would be some prospect of a return on the investment in the shape of earnings higher than the average obtainable by many who had not the initial qualifications for access to such a possibility. In such circumstances in some communities, advances either in the shape of outright grants or straight loans have been made available and can be supported on grounds of the objective we are discussing.

Neither of these policies, however, is immune from criticism. The outright grant involves a privilege not accessible to all; and since it comes from public finance, it can be described as a liability on the academically ungifted in favour of the academically gifted; and this, if it were commonly realised, might indeed be represented as a violation of distributive justice. By contrast, a system of loans seems *prima facie* more in harmony with the conception of this kind of education as an investment made available to those having inadequate recourse to the capital market. But this, too, has its disadvantages. Loan schemes have proved difficult to administer. The obligation to repay bears heavily on the academically unsuccessful or on those who, although academically successful, subsequently adopt careers which do not yield a pecuniary return making repayment easy – such as the Church or bringing up a family. For clever women, indeed, it may be regarded as a sort of negative dowry – just the wrong sort of incentive in a sphere where, in the past for other infamous reasons, the scales have too often been unfairly weighted against their sex.

Fortunately there has been suggested by Professor Alan Prest, justly famous nationally and internationally as a high expert in matters of public finance, a solution which meets all these difficulties.¹ If the grants are regarded as advances *only to be recovered as income exceeds an easy rate of amortisation*, then the burden falls only on those who have in fact benefited by the advances and are capable of bearing it. The system can be administered through the ordinary mechanism of tax collection; thus there need never occur the problem of recovery from the unsuccessful or from those who have chosen ways of life earning zero or low rewards. The negative dowry problem need never arise, if non-aggregation of marital finances were permitted – a reform long overdue.

¹ *Financing University Education*, Occasional Paper 12, IEA, 1966.

There is a second way in which the objective of equal opportunity may be pursued. The provision of educational facilities is positive; the elimination of monopoly where possible is negative. But it is none the less important. This is a matter of technical complexity into which I do not intend to enter here. But it should be clear enough that the elimination of statutory support for monopolistic practices and the imposition of statutory prohibition of competition – the creation of restrictions on access to markets or occupations by persons or groups of persons suitably qualified to operate there – must enlarge the field of equality of opportunity and, as contributing to this objective, are *ipso facto* to be commended. This brings us to the third interpretation of equality which I have undertaken to discuss.

4. *Equality of reward*

The objective of equality of reward, that is to say, income from work, raises much more difficulty than the objectives of equality in the first two senses already discussed; and I should confess to you at once that it arouses in me much less enthusiasm. I am very much concerned with the problem of absolute poverty and its relief. But I know statistically that the amount which can be done by redistribution is negligible compared to what has been done, and can be done, by increases of production. Once proper provision is made for involuntary poverty, however, I must say that the inequality of reward which the market system engenders does not seem to me something which persons of good sense should worry about over-much. The fact that Muhammed Ali or the Beatles can earn many times as much as the average academic, or that the managing director of a large concern is paid more than a Member of Parliament, leaves me quite unruffled. I think these are interesting economic and political facts. But I cannot share the indignation at the results of the preferences of consumers and voters which such spectacles seem to arouse in the breasts of many. The emotion of envy does not seem to me particularly admirable.

Having said this, however, let me emphasise at the outset that, as I have just argued, the elimination of monopolistic obstacles to free entry itself tends to an equality of reward within homogeneous groups, and this is highly desirable. The existence of areas of employment protected by statute or monopolistic association from free entry is an important cause of inequality which is indefensible

in itself. It serves no social purpose and it is unjustifiable in terms of the objectives both of equality before the law and of equality of opportunity.

It should be noted, however, that such areas of privilege are often created by practices which appear to aim at equality. Equal pay for truly equal work is indeed an admirable objective facilitated by competition and mobility. But to compel employers, either public or private, to pay equally for performances which are in practice unequal, is to condemn the less able performers to a curtailment of employment opportunity which, in the large, must mean that they can find employment only at margins less productive than those of which they are capable. Such enforcement has frequently acted very obviously to the detriment, both of women and coloured people in employments of which, for reasons of physical strength or lack of acquired skill, their capacity to work, although palpable, is not equal to that of the male or white employees concerned. I submit that it is not the best way of helping the lower paid, to render them unemployable.

Let me now take a more comprehensive view. Let us leave the influences which might make the working of the market system produce less inequality, and suppose that equality of reward all round is *decreed* to be the order of the day. It is doubtful whether such a system has ever persisted anywhere, although it seems that something of the sort was attempted in the early days of the Russian revolution. But it is interesting to inquire what might be expected if it did exist; and for present purposes we may disregard international complications. It is sufficient here to draw attention to two almost inevitable consequences which would occur even in a closed community.

First, we should expect a tendency to a decline in output per head. If the reward remains the same *whatever the degree of productivity*, we are surely warranted in supposing that there will be at least some diminution of production. It is all very well to insist that some political and social reformers do what they do regardless of pecuniary considerations, and it is probable that sometimes, though not always, this may also be true of academics. This is because such persons are convinced that what they do is intrinsically very important, or that they find it more attractive than any conceivable alternative. But the ordinary work of the world is not like this. So far as the individual worker is concerned,

the variation in production in general which would be the result of his doing a little more or a little less, is negligible. But if many think that way, then the variation is very perceptible. It was doubtless discovery of this fact that led the leaders of Soviet Russia to introduce some connection between effort and output.

Apart from this effect, which might be expected to prevail even under stationary conditions, as soon as we assume change, there must be a second consequence of the principle we have assumed, namely the introduction of some direction of labour. For, if there is a change in the relative need for labour in different industrial groups and different areas, then, if that need is to be met, either there must be some variation in incentive, in rates of pay or income from other sources, or there must be direction, as in running an army. It may well be that, under the market system, collective bargaining may bring it about that there is no variation in rates of pay in employment, and mobility is thus impaired. But, even in present conditions, unemployment relief is unlikely to be at the same level as the prevailing rate for work; and this clearly is a departure from the rule of equality. There can really be little doubt that, if this rule is rigidly adhered to, it must be accompanied by some suspension of the freedom to work or even to apply for work where one wills.

For both these reasons – the diminution of incentive and the necessity of regimentation of labour – it is doubtful whether a system of equal reward is likely to be generally adopted. And we may go further than this. Any system which directly imposes levels of pay substantially higher than the value put by the market on the expected value of the product, will produce a tendency to unemployment. Conversely, if it imposes a reduction on what has hitherto been the competitive pay, there will be a tendency to a scarcity of the type of service available. It is dangerous to generalise from particular episodes when so many other influences may be operating simultaneously. But I do not regard it as altogether an accident that the present state of the labour market in Great Britain, with the uniform limit on increases involved by the incomes policies of the last two years, should exhibit simultaneously unemployment among the relatively unskilled and a scarcity among many, if not all, types of skill.

Abandonment of the policy of achieving more equality by authoritarian fixing of rates of pay does not, however, rule out the

practicability, if it is so desired, of moving in that direction *via* the adjustment of tax burdens. So far as income from work is concerned, Mill, who entertained very radical views regarding the transfer and inheritance of property, was strongly opposed to anything but proportional taxation beyond a certain exemption at the bottom of the scale, on the ground that

‘to tax the larger incomes at a higher percentage than the small is to lay a tax on industry and economy; to impose a penalty on people for having worked harder and saved more than their neighbours’.¹

Most writers on the subject, however, have been willing to admit the principle of progression, not I hope on any attempt to establish the rate at which the marginal utility of income can be ascertained to fall for persons of supposedly equal capacity for satisfaction – an objectively impossible task – but rather on Adam Smith’s simple proposition that it is not unreasonable that the rich should bear a greater burden than the poor.²

I personally would go along with this approach. But I would enter this *caveat*, that it is a principle whose application may be overdone. We hear a good deal in some quarters about the difficulty of predicting whether increases of the marginal rate of tax will make a man work more or less. Granted: there is certainly an area in which one may legitimately be agnostic in this respect. But surely most of us would agree that if the marginal rate were 100 per cent, there would be a considerable disincentive. Why then should we be hesitant to admit that there are rates below this figure which may have the same effect?

5. *Equality of property*

Finally, what are we to say of the objective of equality in relation to property – admittedly an area in which inequality may be most conspicuous?

To put this matter into proper perspective, I submit that we have to remind ourselves of the social function which property may be conceived to perform. For reasons of space I exempt claims on the use of knowledge, such as patents, which present

¹ J. S. Mill, *Principles of Political Economy*, University of Toronto Press, 1965, pp. 510–11.

² *The Wealth of Nations*, Oxford University Press, 1976, p. 842.

quite special problems. And for obvious reasons I leave out of account personal consumption goods, from tooth brushes to clothes and household goods. I confine myself in this context to private property in scarce material instruments of production or claims on the product thereof. Under a market system there is a direct interest in the use of such property in response to demand. Conceived in this way, the property system must be regarded as an apparatus of decentralised initiative, undirected from the centre, apart from the restraints of law. It is true that the origin of some property in the past may have been violence, corruption or royal favouritism. But in a system depending on free exchange, its present value, both as regards income and capital, depends on the part it plays in the vast network of the division of labour, and is determined ultimately in large measure by this impersonal control. But while the workings of the market are always tending to establish similar values for property of similar quality and potentiality, it is true that, both by appreciation and depreciation, accumulation and decumulation, they permit, and indeed create, inequality in this area. If this is to be regarded as undesirable, the question therefore arises: What can be done about it?

It should be quite clear that a once-for-all redistribution would not be effective. It is reasonably certain that inequality would speedily be re-established. Some people would dissipate their holdings, others would augment them. Moreover, the incidence of luck would supplement the effects of prodigality or prudence. But even a periodic jubilee redistribution *via* reversion to the *status quo* every fifty years, such as seems to be suggested in the Book of Leviticus, would certainly carry with it consequences which would be most undesirable. It might re-establish a more egalitarian pattern. But it would discourage initiative and accumulation and effectively put an end to all long-distance planning as the 50th year approached.

A thorough-going egalitarian logic, therefore, would dictate the abolition of individual property rights, at least in the means of production, and their assumption by the collective community. This indeed is the policy, not only of the established Communist powers but also of many of the parties of the Left in the Western world – save perhaps in regard to small shops and, sometimes, as political expediency dictates, small agricultural holdings. It is not like the exhortation in Leviticus already mentioned, something

which was probably never attempted on any scale: it is the practice, or the goal, of a great many contemporary political groups.

Before, however, incorporating it into our system of political and economic *desiderata*, it is worth noting the costs in terms of other objectives. I have little doubt that a large community in which all the means of production are owned and controlled by the state is likely to be less efficient in terms of response to individual choice than systems in which initiative and organisation are based upon the existence of private property and the market. It is commonly recognised that totalitarian systems can function more or less effectively when their main aim is simplified by the dominant objectives of defence or aggression in war. But when the objectives are more various, where the main aim of production is response to demand, present or future, then the absence of decentralised initiative becomes more and more inconvenient. Yet experience in Communist countries seems to show that attempts to disperse control and to introduce something of a market system are liable to break down and to provoke a reversion to central planning. And the reason is obvious: it is because the degree of decentralisation needed approaches too near the independence which non-collective property involves and the comparisons of profitability which it permits.

It may be, however, that for the sake of abolishing this kind of inequality, it is thought desirable to suffer such a loss of efficiency; and if that judgement is consciously made, the argument moves to a different plane. What is more germane to our particular universe of discourse, the explicit discussion of the implication of various social ideals, is that it almost certainly entails the loss of much personal liberty in the sense in which I defined it at the beginning of this *Paper*. A community in which the state is the one employer and the one property owner is *ipso facto* a community in which the scope for freedom from coercive action must be severely circumscribed. This surely is borne out by experience. It could certainly have been foretold – as it was foretold by many. But it has now been historically demonstrated. Whatever virtues we may attach to conditions behind the Iron Curtain or in China, extensive liberty of thought or action is not one of them. Slavish obedience and enforced uniformity of expression are the order of the day.

If therefore this solution be rejected – as I would reject it on precisely these grounds – does this mean that there is nothing to be

done about the inequality of income from property? I have confessed already that I am not shocked unduly by the existence of inequality of reward. I must now acknowledge that the existence of inequality arising from unequal possessions does not seem to me intrinsically outrageous. But I do favour its diminution by a wider spread of property: I think that would make both for a wider scope for initiative and for a safeguard of social stability. I agree with Bentham who argued that the moment of death was the least disturbing moment to affect distribution; and I think that a strong case can be made out for using the apparatus of taxation for that purpose. I am, however, utterly out of sympathy with the modern graduated estate duties and the consequences they entail. In my judgement the right principle to apply in this respect is the principle of the legacy duty, at one time part of our system, whereby whatever graduation is thought to be appropriate is applied, not to the estate as a whole, but to the parts into which it is broken up by testamentary disposition, thus providing a direct financial incentive to the diffusion of bequests. If, under such a system, an estate of, say, £500,000 were bequeathed to one inheritor, its passing would involve a considerably larger surrender to the state than it would if it were broken into, say, five equal parts. There can be no doubt of the practicability of such a system; this has been testified by the Inland Revenue authorities. It is only the desire to *destroy* private wealth as such, rather than to *spread* it, which prevents its adoption.

IV

CONCLUSIONS

I AM afraid this has been a very controversial *Paper*. Its title contains two words which, at first hearing, evoke simple emotional responses of attraction or repulsion. My argument has endeavoured to show that, in nearly every case, a closer scrutiny of meaning and implication discloses the inappropriateness of the all-or-nothing reaction. Political liberty raises deep constitutional issues. National liberty involves the profoundest questions of international relations. Equality of opportunity is an admirable objective; but its complete achievement would entail the abolition

of the family and all that that implies. Equality of income from work where there is no equality of the value of the product carries with it great economic difficulties both as regards incentive and as regards liberty of employment. Equality of wealth probably is associated with a decline in effort and economic efficiency and certainly the curtailment of personal liberty, both in consumption and production. Of the alternatives I have discussed, only equality before the law and personal liberty permit, if you are that way inclined, simple positive reaction: equality before the law, because inequality here involves coercive limitation of personal liberty: and personal liberty because, without it, individual action and expression become one with other manifestations of determinism and thus lose all moral significance whether good or bad.

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