Inequality within a system of entangled political economy: Reflections on Mikayla Novak’s disentanglement of fact and value

RICHARD E. WAGNER

Email: rwagner@gmu.edu
Web: https://mason.gmu.edu/~rwagner/

Abstract: In Inequality: An Entangled Political Economy Perspective, Mikayla Novak takes the analysis of inequality in a new direction by exploring the tension between fact and value that pervades most analyses of inequality. Novak offers new insights into the entangled character of political economic systems. It is customary to treat those systems as operating independently of one another, but Novak recognizes that this customary treatment leads thought astray. Inequality is a fact of social life, and a useful one at that, though Novak also recognizes the problematic qualities that can stem from inequality, while also recognizing that some of those qualities are intensified and not softened by political action. The overall thrust of Novak’s Inequality is to generate a deeper understanding of how it is that many of the traditional concerns about inequality are more effectively treated by an expansion of economic liberty than by a continued injection of political domination into society.

Keywords: inequality; Gini coefficient; Vilfredo Pareto; entangled political economy; choice vs. chance; material and immaterial inequality

JEL Codes: D01, D31, D63, P16

In Inequality: An Entangled Political Economy Perspective, Mikayla Novak takes the analysis of inequality in a different direction from where most people have gone since Corrado Gini set forth his well-received coefficient of inequality in 1912. Inequality is an obvious fact of social life, and one for which many commentators seek reduction under the presumption that less inequality is better than more. Novak stands apart from the orthodox materialist mode of thought where inequality is reduced to a measure of income or wealth. Novak recognizes that inequality is a fact of social life, but she also recognizes that inequality has multiple immaterial dimensions. These dimensions, Novak explores lucidly especially in Chapter 6 titled “Social Exclusion” and in Chapter 8 titled “A Society of Dignified Individuals and Inequality”. These dimensions relate to what in the 19th century was denoted as “the social question,” which concerned the integrative processes by which some reasonable modicum of societal cohesion might be established and maintained.

Besides presenting a richly multi-dimensional analysis of inequality, Novak explains that less inequality might be good in some respects but not in others. Novak recognizes that some of the problematic qualities that stem from inequality are intensified and not softened by political action. Novak’s broader consideration of inequality recognizes harmful features of inequality while simultaneously recognizing that inequality will all the same be a feature of any well-ordered society. The overall thrust of Novak’s Inequality is to generate a deeper understanding of how it is that many of the traditional concerns about inequality are more effectively treated by an expansion of economic liberty than by a continued injection of political domination into society. Novak makes it possible to understand how the societal ills that many people attribute to inequality are often more accurately attributed to infringements on liberty, meaning that remedy requires an expansion rather than a contraction in the domain of individual liberty. In short, entanglement leads to a misattribution of many observed inequalities to a property of free markets when to the contrary they are properties of an entangled system of political economy.
I. GINI MEASURES: AS DESCRIPTIONS AND AS OBJECTIVES

Ever since Corrado Gini set forth his measure of inequality in 1912, economists have mostly used it as a canonical measure of inequality. While the coefficient has some problematical features, those features have not dissuaded economists from making the Gini coefficient the canonical measure of inequality, both of income and of wealth. Income is the more commonly used measure, undoubtedly because data are more plentiful. A Gini coefficient presents a snapshot view of a society at some moment in time. The idea behind the coefficient is simple and intuitive. The relevant population is ordered from lowest to highest with respect to their incomes for the period under examination. The coefficient constructs a measure of the divergence between the degree of measured inequality and a situation where everyone had the same income. The Gini coefficient thus ranges between zero and one, with this 0-1 property enabling convenient comparisons across time and place. G = 0 indicates perfect equality; G = 1 describes a situation where all income is received by one person. World Bank estimates of Gini coefficients throughout the world range mostly between 0.4 and 0.6, and with some modest tendency for wealthier nations to have lower Gini coefficients.

In the first instance, Gini is a factual description of an existing situation. Gini starts with creating a rank ordering of incomes received and converts that ordering into a number. A Gini is one way of describing how the world has worked for a particular population over some interval of time. Despite David Hume’s well-known strictures that one logically cannot derive an “ought” from an “is,” many economists who work with inequality do just that. Novak gives considerable attention to the recent concerns about inequality that such prominent economists as Joseph Stiglitz (2012), Thomas Piketty (2014), and Anthony Atkinson (2015) voice. For instance, Piketty (2014, p. 26) claims that the aggregate volume of wealth will become increasingly to be dominated by inherited wealth, due to advantages in accumulating inherited wealth relative to amassing wealth through saving labor income. Piketty reduces his proposition about inequality to a relationship between two variables that typically appear in aggregate production functions, the meaningfulness and usefulness of which will be explored in Section II. That production function portrays the growth in aggregate income, which Piketty denotes by \( g \), as a function of the rate of return on capital, which Piketty denotes by \( r \), and the growth in income from wages.

The key feature in Piketty’s scheme of thought arises when \( r \) grows faster than \( g \). When this happens, income from capital grows more rapidly than the aggregate economy, which Piketty interprets as implying worsening inequality as measured by a Gini coefficient. It is an open question what proportion of people who advocate for reductions in inequality have thought about and accepted Piketty’s analytical framework out of which his conclusion emerges. It is possible for people whose intuitive proclivities favor less inequality to accept Piketty’s call for less inequality without accepting the framework within which Piketty sets his analysis. Section II will explore some of the issues in play on this point. For now, it suffices to note that the Gini coefficient is used by many thinkers as an objective of social policy and not just as a description of some of the properties of a society.

Numerous commentators have noted shortcomings in the Gini measure, which is not surprising for it surely taxes heavily one’s credulity to think that one single measure could capture everything there is to know about inequality within a society. Even if Gini is restricted to income, there are an indefinitely large number of distributions of income that would aggregate to the same Gini coefficient. A Gini coefficient is a measure of the relative sizes of two spaces, and there are an indefinitely large number of distributions that will yield the same measure of space. Gini, moreover, is computed with data supplied mostly through the national income and product accounts, which vary in accuracy and completeness. Furthermore, and most significantly for Novak, inequality in the distribution of income is but one of the numerous dimensions along which human inequality manifests in society. Many of those other dimensions might also manifest in income inequality, but to raise this possibility is to bring into the analytical foreground questions concerning the source of income inequality, as a later section shall examine. For instance, people vary along such dimensions as height, weight, vocal timbre, and emotional disposition.

Some theorists might try to collapse such variation into measures of income through capitalizing the value of those qualities. For instance, people with sunny dispositions might be more attractive to other people than people with sour dispositions, and thus earn higher incomes. Possibly so, but people with sunny dispositions might also tend to have less interest in the material aspects of life. In short, income and wealth are the measures with which econo-
mists work because the data are there, and no useful point is served in pretending that Gini-like data convey the full story about inequality in society, either of its sources or its consequences. In the first instance, a Gini coefficient is one among several ways of developing a numerical description of the degree of inequality in the distribution of some variable. Gini coefficients are also used as objectives for public policy under the common presumption that a reduction in a Gini coefficient is superior to an increase.

Gini coefficients can be constructed for any population for which someone has useful data. For instance, one could construct a Gini coefficient for the earnings of professional basketball players, members of the Screen Actors Guild, or professors of economics, to mention but three of myriad possibilities. For any such population, members will be ranked by earnings from lowest to highest. In the event all members earn the same, the Gini measure would be \( G=0 \), indicating the absence of variation among the members. Mathematically, \( G=1 \) is also possible and would indicate that all the income earned by the group accrued to a single person. We may doubt that such a group could persist because people who earn nothing are unlikely to persist in that activity. To be sure, the data that showed \( G=1 \) could be defective, and it is always useful to recognize that these data are all generated from different systems of national income accounting, all of which unavoidably have various forms of inaccuracy, incompleteness, and arbitrariness. To illustrate this point, the accounting data could indeed show that all the earnings are paid by some vendor to one among the 100 members of the group. It is this variable that is collected in the national accounts and tax records. What might not be collected is the subsequent set of unrecorded payments by which this form of lord-of-the-manor disburses the payment he receives among those to whom he recognizes obligation.

This point I have just made might seem remote or fanciful, but it really isn’t because it brings into play the institutionally-governed patterns of human interaction inside of which all economic activity proceeds. An economy is constituted through a dense network of contractual relationships and human interactions, and with those relationships and interactions not capable of reasonable reduction to some common pattern. In other words, reduction of complex patterns of economic interaction to a representative agent, as is common in some popular macroeconomic theories, takes us far astray in our understanding of entangled political economy, as Novak explains throughout her book. The relation of micro to macro is one of parts to whole, the reasonable analysis of which calls for explorations of how wholes emerge out of interaction among parts, in contrast to ignoring the difficulty by reducing the whole to a representative part.

It is possible to construct Gini measures for any set of people for which useful data exists. The significance or the meaningfulness of that data is an open and not a closed question. A Gini coefficient is not just there as some autonomous observation. To the contrary, a Gini emerges as part of the myriad patterns of action and interaction that people undertake within a society. A Gini coefficient is an emergent variable and not an object of choice. Thought goes astray when an emergent variable is treated as an object of choice, as Novak explains lucidly. The normative treatment of Gini by such economists as Stiglitz, Piketty, and Atkinson raises in spades some difficult analytical questions regarding the relation between micro processes of interaction and macro portraits of the outcomes of interaction. The variables associated with the macro portraits are emergent variables, but the values of those emergent variables are generated through institutionally and socially governed patterns of interaction. Theorists commit a category mistake when they treat as chosen what are emergent variables and not objects of choice. This confounding of choice and emergence is a property of equilibrium-based theorizing that plagues many efforts by economists to treat public policy as acting on emergent variables, which leads to incoherent action. Mikayla Novak recognizes this incoherence, and sets forth an alternative analytical approach that grapples with the institutionally-governed interactions through which such aggregate variables as Gini coefficients are generated.

II. MICRO PARTS VS. MACRO WHOLES IN THE GENERATION OF INEQUALITY

The social sciences present us with two classes of object whose properties we can analyze. Those objects entail ontological differences that renders them incapable of being analyzed within some common framework. In similar fashion, the properties of a propeller-driven aircraft in flight differ from those of a jet aircraft. Different analytical models are suitable for the different types of aircraft. Similarly, different analytical models are suitable for the different types of social variables. To analyze one class of variable by models suitable for the other class of variable is to make a category mistake which can lead analysis astray.
The two classes of variable to which I refer are individual acts of choice on the one hand and the emergent consequences of interactions among choosing individuals on the other hand. For the most part, this distinction between the categories of variables corresponds to the distinction between the micro and the macro levels of societal observation. Mitchel Resnick (1994) coined the term “centralized mindset” to describe the category mistake that so often plagues societal-level theorizing, and for which the treatment of a Gini coefficient as an object of choice is a prime illustration. By centralized mindset, Resnick was referring to the tendency of numerous theorists to attribute organized patterns of social entities to some order-establishing entity. Hence, observation of the pattern of a flock of geese in flight would be attributed to a leader goose. It would be the same for observation of the foraging patterns of ants or termites.

In contrast, Resnick explained that to invoke a presumption of leaders among geese, ants, or termites was to embrace an analytical fiction in place of making a serious scientific effort to understand the source of those observed patterns. Standard theoretical efforts foundered on recognition that there was no such thing as some superior entity who possessed knowledge that no other entity possessed. Hence, to treat those organized patterns as reflecting choices made by some leader was to parade an analytical fiction as scientific knowledge. To be sure, the truth of the matter might not be understood or understood only inadequately. Operating under the presumption that a poor theory is better than no theory, the invocation of analytical fictions might be embraced as a stopgap measure, but only until better theories are developed. Modern macroeconomics as a field of study is replete with analytical fictions where variables that emerge through interaction are treated as if they are variables that someone chooses. Economic growth is one such variable, rates of employment or unemployment are another, and Gini measures of distribution are a third.

Figure 1, which I first deployed in Wagner (2012), illustrates the distinction between variables that are properly objects toward which someone acts and variables that are not objects of direct action but rather which emerge through interaction. The upper part of Figure 1 shows a standard model of aggregate supply and aggregate demand. It also depicts two different states of aggregate demand, along with corresponding differences in the price level and aggregate output. The lower part of Figure 1 shows a networked pattern of economic interaction. The aggregate representation in the upper part emerges out of the particular pattern of interaction the participants establish in the lower part.

This relationship between the parts described by the lower part of Figure 1 and the whole described by the upper part is summarized by the two arrows on the right side of the Figure. The leftmost of the two arrows distinguish the micro and macro levels of theoretical abstraction. The rightmost of the two arrows sets forth the different objects to which the two levels of theory pertain. The lower level pertains to the actions that people take. All action occurs on the ground level, so to speak. The upper level is not a level where action occurs, for action can occur only on the ground or action level. It is at the ground level where firms make investment decisions and political agencies issue regulations. The upper level of Figure 1 pertains to statistics, projections, and ideologies. The states of these variables can inspire people to act, as in leading a firm to open a new product line or a regulatory agency to issue some new regulation. Any resulting action, however, can occur only on the action level. It is here where the firm opens its new product line or where the regulatory agency issues a new regulation. The systemic effects of the new product line or regulation, moreover, will be determined not by macro-level projections but by emergent patterns of interaction that course through the micro level.

Gini coefficients can be constructed for any variable that is distributed among the members of some group. The value of that coefficient will typically depend on numerous considerations. With respect to the distributive variables that
are the central concern of Novak’s *Inequality*, we have reason to anticipate that a society where the bulk of people are energetic and providential will exhibit a lower Gini than one where only a relatively few people are energetic and providential. It is a reasonable objective of scientific knowledge to determine how patterns of influence on the micro level might influence patterns at the aggregate level, even though it is not reasonable to determine an exact relationship between Gini and policy action because that determination would ignore all the intervening variables that lie between micro-level action and macro-level manifestations of micro-level actions.

For instance, suppose someone, like an Atkinson, Piketty, or Stiglitz, thinks Gini is too high. Such people are inclined to propose subsidies to people with low incomes while increasing taxes on people with high incomes. Such measures might lower Gini, but not necessarily. To determine the effect on Gini, it would be necessary to trace out the reactions to the taxes and subsidies as these are inserted into the lower part of Figure 1, which in turn would lead to new macro-level observations. Alternatively, and consistent with the emergent character of macro-level variables, policy might be aimed at increasing the supply of energetic and providential action within a society. This is a far more difficult challenge because it requires pursuit of a program of raising, about which we know little, in contrast to the standard program of leveling, which is easy to do by taxing high incomes and subsidizing low incomes (Wagner 2010). Novak recognizes the analytical challenge that a program of raising presents while also recognizing the disabilities that accompany the orthodox program of leveling.

III. APPRAISING GINI: TOO HIGH, TOO LOW, JUST RIGHT—OR NONE OF THE ABOVE?

Suppose someone were to take a survey among people who understand the construction and use of Gini coefficients. The survey would have but a single question. It would call upon the respondents to declare whether they thought the present Gini coefficient for the nation was (1) too high, (2) too low, (3) just right, or (4) none of the above. While I don’t have any prior presumption about how opinions would be distributed, I would expect opinion among politically informed economists who incline in a progressivist direction to answer that the present Gini was too high. I would likewise expect economists who incline in a conservative direction to answer that the present Gini was about right. What I would not expect to find is much opinion holding that the present Gini was too low, meaning that they thought increased inequality would be socially beneficial in some fashion.

I would also expect to find puzzlement over what it would mean to answer none of the above to this question about Gini. Sure, there can be imprecision and ambiguity in the construction of Gini coefficients, and this ambiguity could be reflected in answers to the question. But ambiguity does not warrant a none of the above type of response, for to offer this type of response is to deny the meaningfulness of the initial question. While Gini implies a singular measure of inequality, for which measurement might be recognized as being imprecise, the none of the above response means that Gini is not the sole measure of inequality and, moreover, that other measures might in some cases be superior. This is the orientation Mikayla Novak takes to the use of Gini coefficients. For Novak, Gini measures but one among numerous dimensions of inequality, and in many cases might not be the best measure. Gini reduces inequality to a scalar variable where inequality ranges between zero and one along the real line. In contrast, Novak recognizes that inequality is a vector of characteristics or qualities, and these cannot be collapsed onto a point along the real line.

My presentation of “none of the above” as a possible answer to the question with which this section began is meant to distinguish between inequality as a quantitative and a qualitative concept. Its use as a quantitative concept is clear. The distinction between more and less inequality is clearly measured by a Gini coefficient. This is a material notion of inequality, where people differ in their income or wealth. Novak also recognizes immaterial dimensions of equality, which she denotes by such notions as dignity and status. The principle of equality under law denotes an immaterial dimension of equality, though it must also be recognized that the immaterial and the material can have margins of entanglement, as when a wealthier person can retain better legal counsel than a poorer person. Despite such commingling of the material and the immaterial realms, it is nonetheless clear that equality has immaterial as well as material referents, and with Novak treating both.

In a paper that received significant attention when it was published, Milton Friedman (1953) distinguished between choice and chance as sources of inequality. It is easy enough to understand how the theory of competitive equilibrium could lead to this formulation. Within the context of this theory, a person’s earnings can plausibly be thought to depend on effort and luck, and with luck denoting unknown factors that are not reflections of effort. To the extent choice
and chance exhaust the possible sources of inequality, it can plausibly be claimed that the existing degree of inequality reflects individual use of talents as modified by random events. It’s doubtful if anyone would object to differences in earnings that stemmed from differences in the effort that different people supply. The place of random events is probably subject to some ambiguity, but even in this case it’s hard to quarrel with the proposition that a competitive equilibrium reflects a reasonably just difference of income or wealth. Someone embraces this theory would probably answer “just right” when asked about the present Gini coefficient.

This formulation through the theory of competitive equilibrium is predicated on the presumption that everyone faces the same opportunities to hone their talents to earn income to the extent they choose, while also recognizing that there will be random variation in how those choices play out. Equality of opportunity is a difficult concept with which to work, in significant part because any effort to do so must touch upon arbitrary presumptions about people and their situations. A large set of people is followed from adolescence into young adulthood, by which time they have reached a position where their future prospects are reasonably clear though certainly not totally determined. Those anticipated prospects could be subjected to a prospective Gini measure. The question at issue, however, is whether that measure reflects equal opportunity in the sense that everyone developed their talents in what they recognized to be the best ways given their interests and talents. At this point we traverse into highly conjectural territory.

Without doubt, choice has much relevance for the extent of inequality in generally liberal societies where people have much say over how they will deploy their talents. We might imagine writers or composers as choosing how much time to devote to their craft. Some of those people might be highly industrious where others show but modest interest in practicing their craft. This source of inequality surely causes little difficulty for most people. Difficulties come into play when societies are conceptualized as networks which are defined by their patterns of nodes and connections. With networks comes the ability of different patterns of connection to influence inequalities. All human action occurs inside networks of relations and interactions. As adolescents, people find themselves in different networks, and with those networks differing in the types of talents they help to nurture. Here we come to what was described as the social question in the 19th century, and with the social question concerned with how societies reproduce themselves as they move forward through time. The feudal system that preceded the liberal period operated largely by transferring positions in society by birth. In its early days, liberalism sought to dismantle obstacles to the ability of people to deploy their talents however they chose, largely by tearing down restrictions on the ability of people to deploy their talents as they chose, consistent with an institutional framework grounded in private property and freedom of contract. Over the last century or so, that institutional framework has morphed increasingly into one where political action is again prominent in society.

Novak’s Chapters 6 and 8 deal particularly with the immaterial dimensions of inequality. Chapter 6 recognizes that the networks to which people belong and in which they often move into adulthood can affect their prospects going forward in life. While people might embrace the group identities with which they have become associated, their life’s prospects might have differed had those identities not precluded membership in other networks and the possible paths in life those networks might have supported. Chapter 8 recognizes that social equality is often more a piece of ideology than a feature of reality. Two people might have the same level of consumption. One of them earns it through work while the other receives it from welfare. To the extent making it in the world through work contributes to self-respect while living on welfare does not, social equality is absent despite material equality, and with Matthew Crawford (2009) exploring luminously the value of work in promoting self-respect.

IV. DIGNITY, INEQUALITY, AND THE POLITICAL ECONOMY OF LEVELING AND RAISING

Novak’s Chapter 8 is titled “A Society of Dignified Equals and Inequality”. What inequality has to do with a society of dignified equals is not a simple matter. Earlier, it was noted that a Gini coefficient is an emergent variable and not an object of choice. All the same, a redistributive program of taxing people whose incomes are above average and transferring the proceeds to those whose incomes are below average will lower the Gini coefficient on the distribution of measured income. The preceding two sentences do not represent some claim to have squared the circle. Policy measures can influence a Gini coefficient, but to influence is not the same thing as to choose. A program of increasing tax rates on the highest incomes and providing subsidies to the lowest earners will lower the Gini coefficient, though by how much the Gini is lowered depends on the exact pat-
terns of the taxes and subsidies, and also in the various secondary repercussions to those taxes and subsidies. While we would expect this measure to lower Gini, we would also expect it to lower total income. We would expect people who face higher taxes to shift their activities in directions that entail less taxation. We would likewise expect people who received higher subsidies to reduce the energy they devote to earning income. This is the policy program of leveling, which is easy to implement.

A Gini coefficient could also be lowered through a program of raising, only this is a program that no one knows in great detail how to implement (Wagner 2010). A program of raising seeks to increase the supply of competitive energy and providential conduct within society. What makes this program so difficult to pursue is that it runs afoul of some widespread institutional practices and moral sentiments. A similar situation was in play, for that matter, in the ancient debate between Plato and Aristotle over the rearing of children. Plato supported the state taking over the rearing of children to prevent children who had particularly loving and provident parents from being given advantages in preparing to embark on their lives. Aristotle responded that Plato’s scheme would lead all parents to being equally indifferent to all children. Plato’s program was one of leveling, and it would be relatively easy to implement such a program. Aristotle’s program was one of raising, about which no one truly knows much about, as against having glimpses.

In most instances, though, people think inequality beyond some degree saps dignity from people who live on small fractions of what wealthy people live on. The European feudal systems that preceded the emergence of liberal democratic and republican regimes that followed the collapse of feudalism had a caste-like character. There were lords of the manor, so to speak, and governance of the manor was their affair alone. They were born to their positions. The rest of the society occupied their various stations in life, some working the fields or tending animals, some practicing crafts and trades, and some serving as merchants. The feudal theory of political economy was grounded in the inequality required to sustain feudal relations.

While economists recognize that collective planning cannot wholly replace market exchange as a process for generating coherent economic order, collective planning and socialism receive much support these days all the same. This support reflects a continuation of long-standing arguments that liberalism enables excessive inequality as market success multiplies itself while market failure multiplies itself in the opposite direction. What results from this scheme of thought is a form of two-cultures model where success breeds success and failure breeds failure.

But is this common claim accurate? Suppose for purposes of argument that a free-market economy and a collectivized economy were to generate identical economic results. Aggregate income would be identical in the two economies, as would the Gini coefficient. In this setting, there would be no tradeoff between liberal and collective economies, for they produced identical outcomes. Most realistic expositions hold that a liberal economy would generate higher aggregate income while a collectivist economy produces greater equality in the distribution of income and wealth, meaning a lower Gini coefficient. The usual interpretation of this tradeoff is that free-market liberalism generates a higher material standard of living, but a collectivist economy produces a greater measure of justice and other immaterial conditions of life. With respect to Charles Dickens’s Christmas Carol, a liberal economy enables Ebenezer Scrooges to multiply within society while a collectivist economy promotes the Bob Cratchits of the society.

This comparison might make for a nice fairy tale, but it is a fairy tale all the same. It is a fairy tale that can be depicted on an economist’s classroom whiteboard, but it has no counterpart in reality. Suppose, however, for purposes of argument, that collective planning can duplicate the outcomes of a free-market economy. Within this situation, material standards of living are identical under collectivism and free-market liberalism. Is this all there is to the comparison between the two distinct systems of social order? Not at all. We must also ask what these divergent systems imply for the quality of life inside the two systems. How do people conduct themselves within the two systems? How do these systems relate to human dignity?

The liberal system is one where people choose and pursue their courses in life. It would not be far fetched to describe people as writing their biographies as they pass through life. They are the authors of their life’s histories. In contrast, people do not choose their paths through life within the collectivist system. The collectivist system necessarily operates as a two-level system. One level contains the many people who are assigned the tasks necessary to fulfill the plan. The other level contains the fewer number of people who form and monitor the plans that the larger number of people carry out. This society is a form of caste society, as feudal society was. It’s imaginable that such a society would have a relatively low Gini coefficient, though the record from the Communist period suggests the opposite, with those who...
direct labor having significantly higher standards of living than those whose labors are directed.

V. CONCLUDING RUMINATION: FROM FEUDALISM TO LIBERALISM—AND BACK?

Henry Maine (1864) explained that the direction of movement within British society for the preceding century or so had been a movement from status to contract as the basis on which social relationships were formed. The feudal system was governed mostly by status relationships. For instance, someone who owned land could not sell it in whole or in part but had to bequeath it to his eldest son under primumogeniture. Alternatively, a married woman could not own property in her name because the husband held title to what property she brought with her to the marriage under coverture. Liberalism emerged as feudalism was dissolving. One of the prime features of the liberal theory of political economy that Adam Smith (1776) set forth was explanation for how a society where people directed their own activities could be peaceful and prosperous without direction from lords of the manor.

With the disintegration of the feudal system, contract expanded as a basis on which social relationships were formed. The next century or so saw the peeling away of restrictions and limitations on the ability of people to organize their activities through contract, which is what Novak describes as emancipation. Starting late in the 19th century, this direction of movement has reversed along various margins, with new forms of status-based relationships replacing contract-based relationships. This shift has proven difficult and challenging for classical liberal sentiments that support emancipation from the various forms of bondage that societies entail, as illustrated in spades by controversies over affirmative action. On the one hand, affirmative action can be part of a program that expands the ability relatively excluded groups to attain success within commercial society. But those programs can also work to maintain privileges while promoting the illusion of expanding opportunity. The world of commerce and industry is where wealth is created, and a liberal program of emancipation would seek to move people into that world. The world of politics is not a locus of wealth creation because political activity rarely produces anything. Sometimes politics protects and sometimes it encumbers and even confiscates, but rarely does it create. The liberal program of emancipation requires some dose of political action, but at the same time faces the challenge of avoiding the snare of social democracy, which is the opposite of any program of emancipation. Mikayla Novak’s *Inequality* has shown crisply the perilous contours that a liberal program of emancipation must navigate once we recognize the entangled confluence of commercial and political power within systems of popular democracy (De Jouvenel 1993; Wieser 1926; Wagner 2016).

REFERENCES


