

Lecture 4: 19th Century Utilitarianism: Commerce as a Welfare Increasing Activity



“View of South Street
from Maiden Lane in New
York City, circa 1827
By William J. Bennett

A busy port city view.

The population of NYC
was 185,000 in 1830 up
from 72,000 in 1810.

Utilitarianism as a Return to Aristotle (1)

- At roughly the same time that Kant was developing his theories of ethics and the limits to knowledge, another man and his fellow travelers were working out another perspective on ethics—one that was more orientated toward public policy analysis than individual decisionmaking.
- Jeremy Bentham and his fellow utilitarians argued that the aim of life was happiness and that the aim of a good society was to maximize the sum total of happiness within that society.
- Placing happiness at the center of normative theory was arguably a return to Aristotle, who stressed it as an aim for both individuals (who would obtain it through moral and intellectual excellence) and for legislators who would try to promote happiness in their territories by supporting both moral and intellectual excellence.

Utilitarianism as a Return to Aristotle (2)

- Bentham and his intellectual circle, however, **differed from Aristotle** in that rather than emphasizing the need for character formation to obtain happiness, generally assumed that individuals were capable of figuring out what would make them happy—and focused most of their attention on how public policies might help or hinder the quest for individual and thereby aggregate happiness in a community or country.
- **They argued that all of ethics could be and should be reduced to whether a particular form of conduct increase the sum of utility in a community or reduced it.**
- This chapter focuses on four prominent utilitarians to illustrate how a single doctrine can change during a century as new circumstances and new ideas are taken into account.

Jeremy Bentham (1748–1832) The Utility Principle as the Foundation for Private and Social Ethics

Jeremy Bentham was born in London and educated at Queens College of Oxford. Bentham, like Montesquieu and Bastiat, was trained in law and subsequently inherited a sufficient fortune to leave that profession at an early age and devote himself to intellectual activities and policy reform.

According to Bentham's utility principle, proper action and good conduct increase the sum of utility in the community of interest (pleasure net of pain). Improper action, conduct, and policies reduce the sum of happiness in a community and thereby make the community worse off. Bentham argued that this "utility principle" could and should be applied to evaluate all actions by all persons and all government policies.

Bentham's Understanding of and Individual's Pleasure-Pain Calculus (1)

- Bentham begins his justification for the utility principle with the observation that pleasure and pain (broadly understood) is the root source of all human conduct.
- **Nature has placed mankind under the governance of two sovereign masters, pain and pleasure.** It is for them alone to point out what we ought to do, as well as to determine what we shall do. On the one hand, the standard of right and wrong, on the other the chain of causes and effects, are fastened to their throne. **They govern us in all we do, in all we say, in all we think: every effort** we can make to throw off our subjection, will serve but to demonstrate and confirm it.
- *(An Introduction to the Principles of Morals and Legislation, KL: 3474–78).*

Bentham's Concept of Utility (2)

- Bentham then shifts to the term utility, which had been adopted by many others at about the same time, as a term that summarizes the net pleasure gained by a course of action.
- **By utility is meant that property in any object, whereby it tends to produce benefit, advantage, pleasure, good, or happiness (all this in the present case comes to the same thing), or (what comes again to the same thing) to prevent the happening of mischief, pain, evil, or unhappiness** to the party whose interest is considered.
- *(An Introduction to the Principles of Morals and Legislation, KL 3526–28)*

Bentham's Methodological Individualism (3)

- Although Bentham emphasizes the sum of the happiness within a community, he does so from the perspective of methodological individualism.
- **The community is a fictitious body, composed of the individual persons who are considered as constituting as it were its members. The interest of the community then is, what?— the sum of the interests of the several members who compose it.** (*An Introduction to the Principles of Morals and Legislation*, KL: 3535–38)
- **It is in vain to talk of the interest of the community, without understanding what is the interest of the individual.**

Bentham's Utility Principle (4)

- **A thing is said to promote the interest, or to be for the interest, of an individual, when it tends to add to the sum total of his pleasures: or, what comes to the same thing, to diminish the sum total of his pains. (*An Introduction to the Principles of Morals and Legislation*, KL: 3545–48)**
- **An action then may be said to be conformable to the principle of utility, or, for shortness sake, to utility (meaning with respect to the community at large), when the tendency it has to augment the happiness of the community is greater than any it has to diminish it. (*An Introduction to the Principles of Morals and Legislation*, KL: 3556–57)**

Bentham's Utility Principle (5)

- **Of an action is conformable to the principle of utility, one may always say either that it is one that ought to be done, or at least that it is not one that ought not to be done.**
- One may say also, that **it is right** it should be done; at least that it is **not wrong** it should be done: that it is a right action; at least that it is not a wrong action.
- **When thus interpreted, the words ought, and right and wrong, and others of that stamp, have a meaning: when otherwise, they have none.** (*An Introduction to the Principles of Morals and Legislation*, KL: 3576–81)

Bentham's Utility Principle (6)

- As true of other moral principles, the utility principle can be internalized.
- A man may be said to be a partisan of the principle of utility, **when** the [internal] approbation or disapprobation he annexes to any action, or to any measure, **is determined, by and proportioned to the tendency which he conceives it to have to augment or to diminish the happiness of the community:** or in other words, to its conformity or unconformity to the laws or dictates of utility. (*An Introduction to the Principles of Morals and Legislation*, KL: 3571–74)

Bentham's Utility Principle (6)

- Bentham also suggests that individual actions rarely affect their entire community; thus, in most cases, individuals should simply maximize their own happiness.
- [In contrast] **there is no case in which a private man ought not to direct his own conduct to the production of his own happiness, and of that of his fellow-creatures.** (*An Introduction to the Principles of Morals and Legislation*, KL: 12047)
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- Prejudice apart, the game of push-pin is of equal value with the arts and sciences of music and poetry. **If the game of push-pin furnishes more pleasure, it is more valuable than either.** (*The Rationale of Rewards*, p. 206.)

Bentham's Utility Principle and Commerce (7)

- Bentham's first clear statement of mutual gains from exchange:
- **Some advantage results from every exchange, provided it be made intentionally and without fraud: otherwise such exchange would not be made;** there would be no reason for making it.
- Under this point of view, the two contracting parties receive an equal benefit [in money terms, but]: **each one of them surrenders what suits him less, that he may acquire what suits him more.** In each transaction of this kind there are **two masses of new enjoyments.**
- **But though all trade be advantageous, a particular branch may be more advantageous to one of the parties than to the other.** (*A Manual of Political Economy*, KL: 2142–47)

Bentham's Utility Principle and Commerce (8)

- In commerce, ignorant nations have treated each other as rivals, who could only rise upon the ruins of one another. **The work of Adam Smith is a treatise upon universal benevolence, because it has shown that commerce is equally advantageous for all nations—** each one profiting in a different manner, according to its natural means; **that nations are associates and not rivals in the grand social enterprise.** (*Principles of Penal Law*, KL 25832–35)
- **Usury**, which, if it must be an offense, is an offense committed with consent, that is, with the consent of the party supposed to be injured. [It] **cannot merit a place in the catalogue of offenses, unless the consent were either unfairly obtained or unfreely.** In the first case, it coincides with defraudment; in the other, with extortion. (*Introduction to the Principles of Political Economy*, KL 10611–13)

John Stuart Mill (1806–1873): Rules of Conduct Implied by the Utility Principle (1)

- John Stuart Mill (1806–1873) is often regarded to be Bentham's successor. His father, James Mill, was a philosopher, early economist, and writer in his own right; and was closely associated with Bentham's reform and publication efforts. Thus, John Stuart Mill grew up in a utilitarian household, met many prominent liberals and utilitarians, and was encouraged by his father to become an intellectual through a rigorous education at home. With such an upbringing, it is not surprising that John Stuart Mill became a utilitarian and wrote broadly on policy issues of his day. Mill began writing papers for political magazines and helped edit books as a teenager. Relative to young adults in the twenty-first century, he had a head start of 10–15 years on his career as a philosopher and policy analyst.
- His father, James Mill (1773–1823), had met Jeremy Bentham in 1808 and took up the utilitarian cause along with the liberal one that he had already joined. At some points, he was supported by Bentham during his early "writing phase." His father's intellectual and political circles thus brought John Stuart Mill in contact with many other famous liberals of the early nineteenth century, including David Ricardo, Jean-Baptiste Say, and of course, Jeremy Bentham.

John Stuart Mill (1806–1873): Fundamentals of the Utility Principle (2)

- Mill's restatement of the utility principle.
- **The creed which accepts as the foundation of morals, Utility, or the Greatest Happiness Principle, holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness.**
- **By happiness is intended pleasure, and the absence of pain; by unhappiness, pain, and the privation of pleasure.**
- To give a clear view of the moral standard set up by the theory, much more requires to be said; in particular, what things it includes in the ideas of pain and pleasure; and to what extent this is left an open question. (*Utilitarianism*, KL: 46372–76)

John Stuart Mill (1806–1873): Fundamentals of the Utility Principle (3)

- **I regard utility as the ultimate appeal on all ethical questions, but it must be utility in the largest sense, grounded on the permanent interests of man as a progressive being.**
- **Those interests, I contend, authorize the subjection of individual spontaneity to external control, only in respect to those actions of each, which concern the interest of other people.** If anyone does an act hurtful to others, there is a prima facie case for punishing him, by law, or, where legal penalties are not safely applicable, by general disapprobation. (*On Liberty*, KL 39883–89)

John Stuart Mill (1806–1873): Virtue and Utilitarianism (4)

- A return to Aristotle?
- [Utilitarians] **not only place virtue at the very head of the things which are good as means to the ultimate end, but they also recognize as a psychological fact the possibility of its being to the individual a good in itself, without looking to any end beyond it.**
- And [they] hold that **the mind is not in a right state, not in a state conformable to Utility, not in the state most conducive to the general happiness, unless it does love virtue in this manner- as a thing desirable in itself.** (*Utilitarianism*, KL: 46917–22)

John Stuart Mill (1806–1873): Human Pleasures and the Utility Principle (5)

- Mill, in contrast to Bentham but in a manner also similar to Aristotle, emphasizes some pleasures are uniquely human, and that these are generally better sources of happiness. Among these are intellectual pleasures and those associated with virtue.
- **It is better to be a human being dissatisfied than a pig satisfied;** better to be Socrates dissatisfied than a fool satisfied. And if the fool, or the pig, are a different opinion, it is because they only know their own side of the question. **The other party to the comparison knows both sides.**
(*Utilitarianism*, KL: 46429–31)
- (Spencer (covered in the next lecture) mentions in his autobiography that Carlyle (1850, pp. 515–17) had mocked utilitarianism as “pig philosophy,” which may account for Mill’s use of pigs in his defense of utilitarianism.)

John Stuart Mill (1806–1873): the Utility Principle, Individual Choice, and Legislation (6)

- **The great majority of good actions are intended not for the benefit of the world, but for that of individuals, of which the good of the world is made up; and the thoughts of the most virtuous man need not on these occasions travel beyond the particular persons concerned,** except so far as is necessary to assure himself that in benefiting them he is not violating the rights, that is, the legitimate and authorized expectations, of anyone else.
- **The multiplication of happiness is according to the utilitarian ethics the object of virtue.** The occasions on which any person (except one in a thousand) has it in his power to do this on an extended scale, in other words to be a public benefactor, are but exceptional, and **on these occasions alone** is he called on to consider public utility. **In every other case, private utility, the interest or happiness of some few persons, is all he has to attend to.** (*Utilitarianism*, KL: 46593–99)

John Stuart Mill (1806–1873): the Utility Principle and Rules for a Good Society (7)

- **The moral rules which forbid mankind to hurt one another** (in which we must never forget to include wrongful interference with each other's freedom) **are more vital to human well-being than any maxims**, however important, which only point out the best mode of managing some department of human affairs. **They have also the peculiarity, that they are the main element in determining the whole of the social feelings of mankind.**
- It is **their observance which alone preserves peace** among human beings: if obedience to them were not the rule, and disobedience the exception, everyone would see in everyone else an enemy, against whom he must be perpetually guarding himself. (*Utilitarianism*, KL: 47364–68)

John Stuart Mill (1806–1873): the Utility Principle and Commerce (8)

- **It is the interest of the community, that of the two methods, producers should adopt that which produces the best article at the lowest price.** This being also the interest of the producers, unless protected against competition and shielded from the penalties of indolence. **[T]he process most advantageous** to the community is that which, **if not interfered with by government,** they ultimately find it to their advantage to adopt. (*Principles of Political Economy*, KL: 37158–61)

John Stuart Mill (1806–1873): the Utility Principle and Commerce (9)

- Independently of all considerations of constitutional liberty, **the best interests of the human race imperatively require that all economical experiments, voluntarily undertaken, should have the fullest license**, and that **force and fraud** should be the only means of attempting to benefit themselves, **which are interdicted** to the less fortunate classes of the community. (*Principles of Political Economy*, KL: 38890–92)
- This is the so-called **doctrine of Free Trade**, which rests on grounds **different from, though equally solid with, the principle of individual liberty** asserted in this Essay. Restrictions on trade, or on production for purposes of trade, are indeed restraints; and all restraint, qua restraint, is an evil. **[T]he restraints in question affect only that part of conduct which society is competent to restrain, and are wrong solely because they do not really produce the results which it is desired to produce by them.** (*On Liberty*, KL: 41409–13)

John Stuart Mill (1806–1873): the Utility Principle and Commerce (10)

- **Laissez faire, in short, should be the general practice: every departure from it, unless required by some great good, is a certain evil.** (*Principles of Political Economy*, KL: 39115–19)

Utilitarianism, Part 2



New York Harbor photo in about 1890.

Notice the steel/steam driven ships on the left, the style of dress, but still horse and buggies and some wind powered vessels.

NYC population is up from 185,000 in 1830 to about 2,700,000—and the city physically much larger as well.

Utilitarianism Continued: Herbert Spencer (1820–1903): The Evolution of Ethical Dispositions and Society

- Spencer was born into a middle-class family of teachers who held a much more relaxed theory of education than Mill's father did. At the age when Mill was learning Greek and Latin, Spencer was off exploring the forests, streams, and sand pits near his home.
- Rather than taking rigorous lessons from his father, Spencer was encouraged to figure things out for himself and given substantial opportunities to do so, although he was also schooled at home by both his father and uncle, who were both teachers than ran small boarding schools.

Spencer on the Study and Evolution of Ethics (1)

- **[T]he perception of the primary laws of quantity bears the same relationship to mathematics, that this instinct of right bears to a moral system;** and that as it is the office of the geometric sense to originate a geometric axiom, from which reason may deduce a scientific geometry, **so it is the office of the moral sense to originate a moral axiom, from which reason may develop a systematic morality.** (*Social Statics*, KL: 40072–75)
- Neither, if we compare the wishes of the gluttonous school-boy with those of the earth-scorning transcendentalist into whom he may afterwards grow, do we find any constancy in the individual.
- So we may say, **not only that every epoch and every people has its peculiar conceptions of happiness, but that no two men have like conceptions; and further, that in each man the conception is not the same at any two periods of life.** (*Social Statics*, KL: 39568)]

Spencer on the Evolution of Ethics (2)

- **Survival of the fittest insures that the faculties of every species of creature tend to adapt themselves to its mode of life.** It must be so with man. From the earliest times groups of **men whose feelings and conceptions were congruous with the conditions they lived under**, must, other things equal, have spread and **replaced those** whose feelings and conceptions were incongruous with their conditions. (*Principles of Ethics*, KL: 17267–69)
- Recognizing men as the beings whose conduct is most evolved, let us ask **under what conditions their conduct, in all three aspects of its evolution, reaches its limit.** ...
- [T]he limit of evolution can be reached by conduct only in permanently peaceful societies. That **perfect adjustment of acts to ends in maintaining individual life and rearing new individuals, which is effected by each without hindering others** from effecting like perfect adjustments, is, in its very definition, shown to constitute a kind of conduct that can be approached only **as war decreases and dies out.** (*Principles of Ethics*, KL: 12445–61)

Spencer and the Equal Liberty Principle

- **Thus are we brought by several routes to the same conclusion.** Whether we reason our way from those fixed conditions under which only the Divine Idea—greatest happiness, can be realized—whether we draw our inferences from man’s constitution, considering him as a congeries of faculties—or whether we listen to the monitions of a certain mental agency, which seems to have the function of guiding us in this matter, **we are alike taught as the law of right social relationships, that—Every man has freedom to do all that he wills, provided he infringes not the equal freedom of any other man.** Though further qualifications of the liberty of action thus asserted may be necessary, yet we have seen (p. 89) that **in the just regulation of a community no further qualifications of it can be recognized.** (*Social Statics*, (KL: 41393–99))
- Equity knows no difference of sex. In its vocabulary, **the word man must be understood in a generic, and not in a specific sense.** The law of equal freedom manifestly applies to the whole race—female as well as male. (*Social Statics*. (KL 42341–46))

Spencer on Equal Liberty and Commerce

- [T]he **right of exchange** may be asserted as a **direct deduction from the law of equal freedom**.
- [T]he **right of exchange** may be asserted as a **direct deduction from the law of equal freedom**. For of the two who voluntarily make an exchange, neither assumes greater liberty of action than the other, and fellow men are uninterfered with—remain possessed of just as much liberty of action as before. Though completion of the exchange may shut out sundry of them from advantageous transactions, yet as their abilities to enter into such transactions depended wholly on the assent of another man, they cannot be included in their normal spheres of action. (*Principles of Ethics*, KL: 24197–201)
- Of course with **the right of free exchange** goes **the right of free contract**: a postponement, now understood, now specified, in the completion of an exchange, serving to turn the one into the other. (*Principles of Ethics*, KL: 24223–24)
- By the **right to free industry** is here meant **the right of each man to carry on his occupation, whatever it may be, after whatever manner he prefers or thinks best, so long as he does not trespass against his neighbors: taking the benefits or the evils of his way, as the case may be. Self-evident as this right now seems, it seemed by no means self-evident to people in past times.** (*Principles of Ethics*, KL: 24275–77)

Spencer on the End of Governanc

- **It is a mistake to assume that government must necessarily last forever.** The institution marks a certain stage of civilization—is natural to a particular phase of human development. It is not essential but incidental. As amongst the Bushmen we find a state antecedent to government; so may there be one in which it shall have become extinct. Already has it lost something of its importance. ...
- **Government, however, is an institution originating in man's imperfection;** an institution confessedly begotten by necessity out of evil; one which might be dispensed with were the world peopled with the unselfish, the conscientious, the philanthropic; one, in short, inconsistent with this same “highest conceivable perfection.” (*Social Statics*, 39713–63)

Some Evidence of Spencer's Impact

- That his work was influential in the United States is, for example, suggested by the Holmes dissent to the majority decision of the Supreme Court in the famous 1905 *Lockner* case. The majority opinion implicitly adopts Spencer's reasoning with respect to freedom to contract, arguing that:
- The **general right to make a contract in relation to his business is part of the liberty protected by the Fourteenth Amendment**, and this includes the right to purchase and sell labor, except as controlled by the State in the legitimate exercise of its police power.
- The minority dissent by Oliver Wendell Holmes critiques the majority's reasoning by suggesting that it is grounded in Spencer's arguments with respect to freedom of contract, rather than the constitution or legal precedent.
- The liberty of the citizen to do as he likes so long as he does not interfere with the liberty of others to do the same, which has been a shibboleth for **some well-known writers**, is interfered with by school laws, by the post office, by every state or municipal institution which takes his money for purposes thought desirable, whether he likes it or not. **The 14th Amendment does not enact Mr. Herbert Spencer's *Social Statics*.**

Alfred Pigou and the Operationalization of Utilitarianism—Benefit Cost Analysis (1)

- With Pigou, we return to Academia.
- The economist/philosopher who arguably first made the case for government interventions based on utilitarian reasoning was Alfred Pigou. Pigou was raised in an upper middle class family in England and educated at Harrow School and Cambridge University. His academic training was in moral philosophy, history, and economics, which he learned from Alfred Marshall.
- He became professor of political economy in 1908, a position that he held until 1943. His most important book, *The Economics of Welfare* (1920), is the focus of this concluding section of Chapter 12. It develops a new utilitarian-based economic tool bag for policy analysis that would later be referred to as welfare economics.
- Pigou was more critical of commercial activity than Bentham, Mill, or Spencer, but nonetheless, begins by arguing that gross national product (the social dividend) can be used as a first approximation or estimate of aggregate utility.

Pigou and the Monetization of Utility (1)

- **The one obvious instrument of measurement available in social life is money.** Hence, the range of our inquiry becomes restricted to that part of social welfare that can be brought directly or indirectly into relation with the measuring-rod of money. This part of welfare may be called economic welfare.
- **It is not, indeed, possible to separate it in any rigid way from other parts, for the part which can be brought into relation with a money measure will be different according as we mean by can, “can easily” or “can with mild straining” or “can with violent straining.”** (*The Economics of Welfare*, KL: 295-300).
- The preceding discussion makes it plain that any rigid inference from effects on economic welfare to effects on total welfare is out of the question. In some fields the divergence between the two effects will be insignificant, but in others it will be very wide.
- **Nevertheless, I submit that, in the absence of special knowledge, there is room for a judgment of probability. When we have ascertained the effect of any cause on economic welfare, we may, unless, of course, there is specific evidence to the contrary, regard this effect as probably equivalent in direction, though not in magnitude, to the effect on total welfare;** (*The Economics of Welfare*, KL: 438-443).

Pigou on the Redistribution and Growth of Income

- **Nevertheless, it is evident that any transference of income from a relatively rich man to a relatively poor man of similar temperament, since it enables more intense wants, to be satisfied at the expense of less intense wants, must increase the aggregate sum of satisfaction.**
- **The old "law of diminishing utility" thus leads securely to the proposition: Any cause which increases the absolute share of real income in the hands of the poor, provided that it does not lead to a contraction in the size of the national dividend from any point of view, will, in general, increase economic welfare. (*The Economics of Welfare*, KL: 1561-1565).**
- **It is evident that, provided the dividend accruing to the poor is not diminished, increases in the size of the aggregate national dividend, if they occur in isolation without anything else whatever happening, must involve increases in economic welfare. (*The Economics of Welfare*, KL: 1468-1470).**

Overview of Part I of the Course (Part III of the book) (1)

- Although Part I of the course resembles an intellectual history course, it has another purpose, namely to show theories of the good life and good society changed in this period—along with ideas about the foundations of ethical assessments, and that reservations generally diminished and support deepened.
- In what sense is this evident?
- Both in the more extensive discussion of commerce and opposition to the regulation of commerce and in utilitarian conclusions that trade advantages all who participate in it—as opposed to just those who become most prosperous.
- It is also evident in their lists of virtues, with industriousness, frugality, and prudence added to the old lists of ancient scholars—and other left off.

Overview of Part I of the Course (Part III of the book) (2)

- These more sophisticated arguments in support of commerce emerged during the period covered. The two scholars used to characterize medieval thinking about markets both revealed deep skepticism about commerce and the persons who entered commerce. Only corrupt money grubbers would entertain such careers and their associated practices. These ideas began to change in the seventeenth century, partly because several major shocks disrupted the medieval world view and its associated order.

Overview of Part I of the Course (Part III of the book) (3)

- [I]n general also an attitude which, at least during working hours, is freed from continual calculations of how the customary wage may be earned with a maximum of comfort and a minimum of exertion. Labor must, on the contrary, be performed as if it were an absolute end in itself, a calling.
- But such an attitude is by no means a product of nature. It cannot be evoked by low wages or high ones alone, but can only be the product of a long and arduous process of education.
- Today, capitalism, once in the saddle, can recruit its laboring force in all industrial countries with comparative ease. In the past this was in every case an extremely difficult problem. (Weber, 1904, *The Protestant Ethic and the Spirit of Capitalism*, KL 312–16)