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**“Diversity and the Social Contract”**

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## *Introduction*

A triumph of the Western Liberal political tradition is the enshrinement of the division of the public and private spheres. This distinction, aided by the development of individual rights, specifies the limits of the state, and the extent of the freedom of individuals. That is, it determines the areas in which the state has a legitimate claim to an interest in controlling or regulating the behavior of individuals or associations for the purposes of promoting the public interest. These areas are considered to be the public sphere – the realm of the political. Everything else is meant to be largely outside of government meddling. Here the interests of private citizens are supposed to freely manifest themselves: people can associate with whomever they please, say what they want, and for the most part pursue whatever personal life projects that they might have. The private sphere is thus the realm of individual interests.

In the private sphere, individual diversity is tolerated, and in a number of respects, considered to be a good thing. We are free to have our own musical tastes, our own preference for group association, and we are free to choose our profession and our hobbies. The only limits on our behavior are generally prohibitions on those actions that harm others. As the common example goes, my right to freely punch stops at someone else's face. But this is not a particularly onerous restriction. As Rawls puts it, we are free to develop our own conception of the good, and pursue it without interference.

Microeconomics can be seen as a framework for understanding our private-sphere interactions. As rational agents, we are free to make contracts and conduct trades with others to everyone's benefit. Individual differences in preferences, skills and knowledge create opportunities for markets to emerge and wealth to be created. Rational agents do not have to agree on much in a market: it does not matter what race or religion one is, or what one's political

views are for there to be a successful transaction. The only relevant feature in a market interaction is whether or not one can agree to the price of a good or to the terms of a trade.

In the public sphere, however, there is a much greater need for wide agreement. Since the public sphere encapsulates those things that the state has an interest in regulating, a theory of participatory government will have difficulty with the kind of individual diversity that is encouraged in the private sphere. In the Western Liberal political tradition, however, thinkers like Locke, Rousseau and Rawls have contended that rational agents will come to agree on public sphere issues in the long run. This is a seemingly contradictory conclusion - after all, both Locke and Rawls promote individual freedom in the private sphere, and so one would expect that these private sphere differences would have an effect on the public sphere. Instead of arriving at this conclusion, however, they argue that one's private preferences do not manifest themselves in the public sphere. One's role as public citizen is distinct from one's role as private agent. It is further contended that rationality will lead public citizens to agree on the shape of the public sphere. So, the ideal public sphere, which they claim is achievable, is one of universal agreement. This can be seen in Rousseau's distinction between the General Will and the Will of All. The General Will is agreement of citizens thinking of themselves as citizens on matters of the public sphere, whereas the Will of All is simply the union of the population's private sphere preferences.<sup>1</sup> Rawls performs a similar kind of exercise in the Original Position, where one is hypothetically behind a thick veil of ignorance. One is meant to be able to characterize one's preferences for the basic structure of society without having any knowledge of one's private-sphere selves. Because of this setup, Rawls argues that the reasoning behind the veil of

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1 Rousseau's social contract, unlike Locke's or Rawls', does not protect private-sphere interests. Rather, the private sphere is overwhelmed by the public sphere as guided by the General Will. I raise this as an even more extreme example of the general phenomena of establishing the public sphere with little regard to the private sphere. Mill is perhaps the archetype of private-sphere liberty, but I save that discussion for the next chapter.

ignorance will be the same for all individuals – therefore, regardless of private-sphere diversity, rationality leads to universal agreement in the public sphere.

This sharp boundary between public and private interests, and the lack of influence of private interests on public interests seems to be both descriptively and theoretically mistaken. Not only are we in fact influenced by our private sphere versions of ourselves, but I contend that this can be an avenue for social improvement, one that the rigid public-private split fails to recognize. The very diversity that the liberal political tradition tries to eliminate from the public sphere could help us discover better ways of living and organizing ourselves if we were to incorporate it into our understanding of the public sphere.

One approach to solving this apparent problem is to eliminate the notion of the public sphere, and attempt to scale up private sphere interactions to deal with large-scale problems. That is, one approach is to attempt to use a purely market-based solution to social needs and problems. There are elements of this kind of solution in Libertarian approaches to social organization. This is problematic, however, as the private sphere has notorious difficulty with providing public goods and dealing with externalities. So, for instance, having some means of providing national defense or a system of justice is a basic challenge to full Libertarian or anarcho-capitalist theories. Nozick relies on a notion of a minimal government in order to satisfy the provisioning of these basic public goods.<sup>2</sup>

It is not strictly the fault of Libertarian or anarcho-capitalist thinkers that they have not been able to develop means of public goods provisioning without some government intervention – it is a basic problem in microeconomics. Mancur Olsen in *The Logic of Collective Action* and Russell Hardin in *Collective Action* outline the significant challenges to public goods

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<sup>2</sup> See Nozick's *Anarchy, State, and Utopia* (1974) for an elaboration of his account of the minimal state in a Libertarian framework.

provisioning in large groups. One of the main difficulties is that markets do not necessarily ensure that all the costs associated with production of some good are incorporated into the cost – that is, not all costs are *internalized*. For example, factories tend not to pay for the social costs of polluting rivers or the air without some kind of additional government regulation. This is due to the fact that the costs are spread widely, while the benefits of polluting are kept by the factory in the form of lower manufacturing costs. So even though the individual benefits are greatly outweighed by the collective costs, the polluter’s share of the costs is overwhelmed by the benefits. This problem of incentive-compatibility arises for all problems of collective action. The Coase Theorem points out that this incentive compatibility issue could be resolved if we were willing to devise a system of “complete” individual rights, such that individuals owned, say, vouchers for breathing fresh air. If the transaction costs were near-negligible, then the problem of collective action would go away, as there would be ample opportunities for the factory to simply purchase the fresh air rights of those affected.<sup>3</sup> But we do not have such fine-grained allotments of individual rights. So we find ourselves with no means to make individual incentives compatible with public goods. Because of this problem, the standard economic analysis is that volunteer efforts to provide public goods will fail.

So we find ourselves in a position where taking a purely private sphere approach to organizing society has fundamental difficulties, and allowing the public sphere to ignore the features of the private sphere is unmanageable. Instead of either approach, we can aim for a novel path between these extremes. We retain a public-private distinction, but instead of allowing the public sphere to be determined in isolation of the private sphere, it is actively shaped by it. The most important, and indeed motivating, consequence of this is that the

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3 For a more detailed discussion of the Coase Theorem and its implications for allocations of rights, see Coase's “The Problem of Social Cost”, *Journal of Law and Economics* (October 1960)

diversity that is fostered at the private level is retained at the public level as well. Rather than being a problem to be mitigated, this diversity can be used to better refine a system of social organization and allow it to adapt to the changing needs of a society.

The goal of this chapter is to examine the view of the public sphere as found in social contract theory and compare it to that of the analysis of diversity that is found in economic thought. I contend that the approach taken by social contract theorists is able to capture only some negative aspects of diversity, and not any benefits of diversity, as it is analyzed in economics. To do this, I first clarify what I mean when I use the word “diversity.” Upon establishing the definitions I require, I begin the substantive analysis. I use Rousseau’s notion of the General Will, and Rawls’ notion of the Original Position to motivate the style of reasoning undertaken in the Western Liberal tradition with regards to the public sphere. Then I examine several ideas from economic theory to argue that there are a number of private sphere benefits to diversity. I leave to later chapters the work of fully accounting for how these benefits manifest themselves. Finally I conclude by arguing that the economic analysis undermines the approach taken by the western liberal tradition.

### *Diversity of What?*

A term like “diversity” is in some sense ill-suited for the task ahead. By itself, it does not identify a precise concept, as it is a relational term without any particular restrictions on its domain. As such, we are left with a term whose sense is an amorphous mixture of related concepts. In my view this has caused the use of “diversity” in public discourse to tend to refer to a notion of cultural or identity diversity. I contend that this is not a basic concept, and must be broken down into its constituent parts, both to better understand cultural diversity, but also to see how the basic parts interact with each other.

To do this, we must consider the ways in which individuals in a society can be diverse. Once these distinctions have been made, we can then see the multi-faceted ways in which these kinds of diversity can interact with each other. It is through an understanding of these interactions that many of the problems that the social contract faces can be solved.

### *Identity Diversity and Why Groups are not the Unit of Analysis*

Most readily apparent to many of us is Identity Diversity. People identify with different racial, social, and gender groups, and these distinctions are frequently used to divide a population. However, identity diversity is also a shifting notion – over time, some identities fall away, and new ones appear. Race, ethnicity, and social groupings are not natural kinds – there are no principled, objective ways of defining borders between most groups. One might attempt to create distinctions between social groups by means of shared histories: individuals whose families are from the same geographical location, and have significant rates of inter-marriage might be grouped together.<sup>4</sup> Though a technique like this is not going to produce sharp boundaries, let us suppose that it could, at least, provide rough groupings. The fuzzy borders between groups may cause problems, but we can at least assume that for many groups, there are sharp boundaries between almost any two of them. So, let us suppose that for ethnic groupings we can find an objective standard by which we can differentiate between most pairs of groups. Even with this, we are not yet out of the woods: while this technique may be successful at differentiating Irish from Italians, it does not seem to work for separating Capitalists from

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4 We already know from biology, however, that this is going to be a fruitless task. There is significant literature arguing against the concept of a species (or at least reducing a species to an individual). For a sample of this literature, see Mishler, B. and Donoghue, M., 1982, "Species Concepts: A Case for Pluralism", *Systematic Zoology*, 31: 491-503 and Ereshefsky, M., 1998, "Species Pluralism and Anti-Realism", *Philosophy of Science*, 65:103-120. If this cannot be done for species, identifying particular cultural groups, a much finer-grained distinction, has very little chance of success.

Communists, Catholics from Protestants, Unionists from Loyalists, or Punks from Goths. Social groupings may often have some positive correlation with genealogy, but for many significant groups, it was the spread of ideas that created distinctions. As such, it seems unlikely that there is a principled objective distinction that can be used to provide boundaries between groups.

Without something like an objective method of distinguishing groups, we are unable to speak precisely about identity groups as a class and describe their properties and dynamics. For example, there does not seem to be much in common among the natures of the Red Sox Nation, Republicans, lesbians, academics, and the British. Each provides some cultural identity, but to a greater or lesser degree. Red Sox fans are unlikely to push for political concessions, beyond perhaps protecting Fenway Park from destruction, whereas other groups are much more inclined to push for political concessions. On the other hand, Red Sox fans have a great deal of shared culture and demonstrate in-group behavior even with strangers. Red Sox fans probably publicly gather at greater frequencies than, say, Republicans or academics. But even so, being a Red Sox fan has only limited, if any, spillover into one's public sphere attitudes, whereas the political goals of lesbians, Republicans or academics are much more pronounced. This example might encourage us to think that we can at least make distinctions based on how much groups address the public sphere, but this also fails. Consider the case of the Sierra Club. The Sierra Club was originally an organization whose purpose was to organize outings for people who loved the outdoors. It provided a means to plan trips, meet other people interested in the outdoors, and other similar functions. However, it evolved into an organization whose primary aim is to lobby the government to protect the environment by means of regulation. One can see how this could have happened: the membership was interested in outdoor activity, and from that, they gained an interest in protecting the outdoors to ensure their continued enjoyment of it. So they were able to



join together to lobby the government to supply a public good for which they had private motivations. It is not inconceivable to imagine that Red Sox fans could eventually turn to political activism to perhaps lift immigration restrictions on Cuban or Dominican nationals, given their tendency to be good baseball players.

Groups can do more than shift from a privately focus to a public focus. Groups can disappear altogether, like the Whigs, or they can merge, as in some ways the European countries are beginning to do. Groups can also splinter into subgroups, once the group's membership starts recognizing additional distinctions that they find increasingly salient. The various strains of Christianity (or even just Roman Catholicism) are examples of this kind of splintering over time. This inconstancy of groups over time, not just of membership, but of focus and distinguishing features further suggests that treating groups themselves, and thus cultural identity, as the relevant unit of analysis in a discussion of diversity in the public sphere would be a mistake. While groups surely exist, they are both difficult to differentiate at an abstract level, and inconstant through time.

Though we are able to dismiss the concept of groups being natural kinds, this objective distinction does not preclude a subjective analysis of groups as natural kinds. That is, it is possible that Muslims or Italians could view themselves as natural kinds. They could hold this view regardless of the objective facts of the matter. It is likely that the members of at least some group hold this view, and so we need to consider this and see what consequences it has for the analysis I suggest.

Fortunately, there is a straightforward response to this worry. Recall that we are trying to determine what the appropriate unit of analysis is in a social and political context. Even if the individuals have the mistaken belief that their group is in some sense natural, the abstract

analysis of the social dynamic still ought to focus on individuals. However, there should be some mechanism by which we can describe groups that recognizes this subjective stance. Some groups will be more long run, or perhaps have heightened attitudes towards in-group individuals, and this should be recognized. But, this does not require the group to be the unit of analysis. At the end of the following section, I suggest that the appropriate analysis of groups is to treat them as portfolios of individual properties. It is by means of the portfolio account of groups that we can still discuss groups, and strong individual feelings about groups, while still relying on individuals as the appropriate unit of analysis.

### *Individual-level Diversity*

Though we have already established that we are not looking at group-level diversity, and instead are focusing on individual-level diversity, we have not yet examined the relevant kinds of individual diversity. Of course, there are many ways in which individuals are different – the challenge in this kind of analysis is to identify the differences that can account for much of the dynamics of both the private and public spheres. We have diversity of our preferences or goals in both a political and personal context. Further, even if we agree on the same goals – the desire to lower crime, for instance – we can often disagree over means to our ends. Finally, we have diversity in our abilities, perspectives, and our knowledge. We bring different skills to the same problems, and a problem can be easier or harder depending on how we approach it. Let us consider each of these relevant kinds of diversity in turn.

Preference diversity is fundamental to both economic and political models of individuals. In these models, individuals have what is called a preference ordering – a complete list of the goods or outcomes that an individual is interested in, in order of how strongly that person is

interested. So, for instance, one can imagine a (partial) preference ordering for fruits, in which I prefer oranges to apples, apples to bananas, and bananas to peaches. Preferences are assumed to be transitive, which is to say that, given this ordering, I must prefer oranges to peaches. It is clear how diversity can enter into the framework: while I might prefer oranges to apples, it is very easy for someone else to prefer apples to oranges. While a diversity of preferences over fruits is fairly innocuous, when preferences are over social outcomes, like which public goods to provision, or which social policies to promote, preference diversity can be extremely worrisome.

The literature on social choice demonstrates how much of a problem preference diversity can be, stemming from Arrow's impossibility theorem. Arrow's impossibility theorem assumes at least three individuals want to vote over at least three possible choices. We further assume four basic constraints on the type of vote that we are allowed to use. The first claims that there is no dictator who decides the outcome irrespective of others' interests. The second constraint is that the voting mechanism should be universal – it should take into account all of each voter's preferences, and provide the same voting result given the same set of preferences. This just is to say that there is a deterministic voting mechanism that includes all of the voter's preferences. These first two conditions just make it clear that we are interested in democratic voting. The other conditions are meant to impose some basic consistency requirements. The first is that if everyone prefers A to B, then the collective vote should also prefer A to B, as the vote should recognize the dominance of A to B. If everyone prefers apples to oranges, then if we vote on which fruit to buy, the vote shouldn't tell us to buy oranges. The second is that if the vote prefers A to B, if we then expand the option set to include C, the vote does not then rank B above A. That is, if we add bananas to the mix, that shouldn't cause us to suddenly prefer oranges over

apples.<sup>5</sup>

Even prior to Arrow, political theorists saw that preference diversity was a problem to be solved – Hobbes solved it with the introduction of the Leviathan, but most political philosophers since have attempted to deal with it by means of the public-private distinction. Individuals can differ all they want in what fruits they prefer (and in fact it is good for them to differ, insofar as it enables more people to satisfy their preferences due to less resource competition), but in the public sphere, the claim has been made that our rationality and public-spiritedness will lead us to consensus. Because of its centrality to the problems that political philosophy has tried to address, preference diversity will also hold a prevalent position in the present analysis.

Preference diversity is sometimes confused with a distinct notion: diversity over the choice of means to ends. While preference diversity as I've defined it ranges over *outcomes*, there is also diversity over the *means* to achieve those outcomes. This is often overlooked in the analysis of political conflict, but is essential to understanding when apparently conflicting preferences can in fact be reconciled. For instance, if one party is interested in investing resources in bigger prisons and more stringent laws, and the other party is interested in better education and more social workers, it may be that their outcome preferences are in line, but their preferences over means diverge. In this case, both sides might ultimately be interested in reducing crime. It is rare that someone has an interest in prison construction for the sake of it. If analysis can help demonstrate that the goals are in fact the same, the conflict can transition from an ideological one, which can often be intractable, into an empirical issue of which method has

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<sup>5</sup> For a more detailed discussion, see Arrow, "A Difficulty in the Concept of Social Welfare", *Journal of Political Economy* 58(4) (August, 1950), pp. 328-346. Gibbard and Satterthwaite have shown similarly damning problems wherein voting systems are either dictatorial, have a choice that cannot succeed, or are open to strategic manipulation. See Allan Gibbard, "Manipulation of voting schemes: a general result", *Econometrica*, Vol. 41, No. 4 (1973), pp. 587–601 and Mark A. Satterthwaite, "Strategy-proofness and Arrow's Conditions: Existence and Correspondence Theorems for Voting Procedures and Social Welfare Functions", *Journal of Economic Theory* 10 (April 1975), 187-217.

greater success in efficiently reducing crime rates. When goals agree, and preferences over means differ, the role for social experimentation becomes clear: it allows a society to resolve disagreements that are over means.<sup>6</sup>

Social experimentation finds support from an area other than preference diversity: it also finds support from skill diversity. Individuals have notable differences in skills, and these skills will lead them to engage in different professions and projects. Economic theory has had much to say about the benefits of skill diversity, as we will see in later sections. A key question to investigate, however, is what the relationship is between an often-beneficial diversity of skills, and an often-contentious diversity of preferences.

Just as skill diversity is more clearly beneficial to society than preference diversity, the diversity of perspectives and knowledge is also an area where we can more readily expect benefits to accrue. Scott Page and Lu Hong have argued that perspective diversity – the difference in how individuals categorize the world and analyze problems – is beneficial to solving many kinds of difficult problems. In fact, they argue that diversity of this kind can trump individual ability in terms of its epistemic value.<sup>7</sup> A common example of perspective diversity is how one would go about categorizing a variety of foods. Different people often choose different methods of categorization. For instance, some may organize them by whether or not they are organic, some by country or region of origin, some by whether it is frozen, canned, or fresh,

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<sup>6</sup> A challenge for treating instrumental methods as distinct from ends is that the familiar Aristotelian argument could be used to argue that all but one of our ends are actually best understood as instrumental means to a final end of happiness. In practice, I do not consider this to be a grave concern. Aristotle himself recognized the distinction between a good that was merely a means towards some other end, and a good that is also good in itself. The difficulty, then, is to identify these distinct cases. While many goods could be either an end or a means, the good in the context of its advocacy provides sufficient information to distinguish between the two cases. For instance, a prison would not be argued for on the basis of its aesthetic appeal, whereas a museum would be.

<sup>7</sup> For a further elaboration of this argument, see Lu Hong and Scott Page, “Groups of diverse problem solvers can outperform groups of high-ability problem solvers” *Proceedings of the National Academy of Sciences*, November 16, 2004, and Page’s book *The Difference* (2007).

some by color, some by nutritional content, some by whether it is a fruit or a vegetable, some by price. Many other categories are possible. Most likely, no one would opt for all of these categories at once, but for any given category, some subset of the population would find it salient. For instance, a poorer individual might be inclined to focus on price, while a wealthier person might focus on whether food is fresh or frozen. These categorizations fit into a larger background of the kinds of problems that these individuals typically have to solve. If one is blind, for example, color distinctions are not particularly relevant.

Somewhat tied up with the notion of perspectives is individual knowledge diversity. Our background knowledge shapes and is shaped by our perspectives, but knowledge is still distinct. Some specialized knowledge is also an ability, such as knowledge of mathematics or physics, but much specialized knowledge is just knowledge of particular facts. For instance, knowing about the batting average of a particular baseball player, or knowing about a local shortage of machine parts. Knowledge can be of a fairly trivial nature, like baseball statistics, or have grave consequences, like the predictions of climate models. It can also simply be culturally enriching, like the knowledge of Mozart or Dostoevsky's works. This kind of knowledge aids in shaping perspectives, even those at a fairly high level. One's exposure to literature and music, for instance, is likely to help shape whether one considers oneself a humanist. Greater awareness of history is likely to result in a greater tendency to frame current events in the context of past events. Knowledge of the principles of economics might encourage a particular view of how individuals make decisions. Thus we find that knowledge diversity can have a significant role in understanding individual diversity.

Now that we have discussed the different axes on which one can consider individual diversity, we can briefly return to the common notion of identity or cultural diversity. Though

we have seen that cultural distinctions are not “basic” in the sense that they are not appropriate units of analysis, it does not mean that we have no possible means of discussing culture and cultural diversity. We can instead describe a cultural identity as a portfolio of preferences, skills, perspectives and knowledge. Under this model, cultures can be characterized by a partial ordering of preferences, a set of commonly associated skills and perspectives, and what cultural knowledge is essential to membership. This portfolio approach allows one individual to simultaneously belong to multiple groups, as groups are not complete determinants of individual characteristics. It also allows us to investigate cultural change, as we can easily examine the dimensions across which individuals might change over time, including what incentives might induce them to do so. Most important, however, is our ability to promote diversity without making the mistake that doing that entails ossifying current social categories.

### *The Social Contract Approach To Diversity in The Public Sphere*

Social contract theory has a long and multifaceted tradition, but here I am focusing only on the role of diversity in the public sphere. Furthermore, I am considering only Rawls and Rousseau, and I will treat them as representative of the larger tradition.<sup>8</sup> This is heavily restricting the subject matter, but as the goal here is not historical analysis, but instead conceptual analysis, focusing on representative claims ought to be sufficient.

Diversity as such is not a primary point of discussion in the social contract tradition. If one were to classify Hobbes as the first social contract theorist, at least in the Modern period, the claim could be made that Hobbes is an exception. He defines people as equals only in the sense that the weakest can always kill the strongest, and the least intelligent can still conspire against

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<sup>8</sup> I do not focus on Locke here because his method of argumentation, both in the *Treatise* and in *A Letter Concerning Toleration*, relies on one’s relationship to God and religion. This is not found in other social contract theories, and as such, there is less to be gained by using it as an example.

the most intelligent. In other respects, people are rather different from each other, and importantly, they are likely going to have differing interests. This difference of interests is so fundamental and so problematic that he shapes much of his theory around trying to mitigate the challenges it creates. Namely, the institution of a Leviathan must be imposed so as to offer people the means of offering enforceable assurances that they will not violently try and impose their will on others. In his analysis of the forms of government, a monarch is determined to be the best kind of government because it is the only one in there is no possibility for civil strife caused by disagreements among political leaders.<sup>9</sup> So a certain kind of diversity drives his view, and forces him to create political institutions whose focus is to regulate and mitigate the negative power of diversity. After Hobbes, however, this kind of argument fell out of favor with social contract theorists. The underlying assumption of a kind of moral egoism was replaced with a notion of the Reasonable, which was found in Locke and all subsequent theorists. Once this move was made, the “threat” that diversity posed was largely eliminated. Because of this, I claim that there was no longer any need to focus on it as a theoretical worry – instead focus could be turned to the ways in which individuals are similar. This is not to say that most thinkers ended up claiming that everyone was identical. Rather, my claim is that post-Hobbes, diversity was viewed as largely irrelevant from the point of view of the public sphere.

One might suppose that the story can break down when we consider something like the liberal value of tolerance, which is explicitly about what position public individuals ought to take in the face of diversity. However, arguments for tolerance, like Locke’s, do not argue for the value of a diversity of views, nor do they argue that the diversity is negative. Instead they argue that attempting to force someone to, say, convert to one’s choice of religion undermines one’s

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<sup>9</sup> See *Leviathan* Book 2, Chapter 19 for a detailed discussion of how only a monarch can lead, and not an assembly. The focus of the argument is on the potential for disagreement and different interests.



religion. States are to stay out of religion for similar reasons – the threat that one’s preferred religion would be outlawed, or diluted by imposing it on non-believers. This kind of argument has nothing to do with diversity per se, as it is not an object of analysis. Instead, it focuses on individual strategies for maintaining one’s own beliefs. As such, accounts of toleration that take this form are not themselves a counter-example to my claim that social contract theorists consider diversity to be irrelevant to any considerations in the public sphere.

To provide further support to this claim about the nature of the public sphere in the social contract tradition after Hobbes, let us first examine Rousseau’s distinction between the General Will and the Will of All, along with Rousseau’s account of the role of the General Will in the state. Using this as a baseline, we can then move on to an analysis of Rawls’ Original Position. I claim that both of these are examples of an attempt to establish a public sphere that is not grounded in the private sphere.

### *Rousseau and the General Will*

The will of all, according to Rousseau, is the union of all of the private interests of the populace. This is, then, just an agglomeration of individual wants and desires, and not something that Rousseau considers relevant to the public sphere. The reason for this is that the perspective undertaken by individuals so as to create the will of all is not public-minded. The will of all is the union of private goods, not the public good. This is a crucial feature of the will of all for Rousseau, as the individual wills that comprise the will of all need not consider any others in society, and may even wish goods that could be disadvantageous to others. The general will, on the other hand, requires a different perspective.

The general will, unlike the will of all, is made from the perspective of individuals as

public-minded citizens, not private individuals. It is from this public perspective that individuals attempt to determine what is in the public good, separating themselves from their private interests. Instead, as Rawls argues, they consider what their fundamental interests are, derived from their basic humanity. As everyone has these interests, the general will is something that one ought to be able to endorse due to the fact that the public good is then also individual good. Rather than the general will being a union of individual interests like the will of all, the general will can be understood as the intersection of public interests.<sup>10</sup> Note however, that the difference is not merely the substitution of the intersection operation for the union operation in how we collect individual views. The individual wills being collected are of a different nature. The general will is operating with public-minded views of the public good based on our fundamental interests.

It is here that we can see the shift made by Rousseau that Hobbes does not make but Rawls will also make: individuals are to determine the general will not by their knowledge of their private interests, but by their knowledge of our fundamental shared interests as humans. But to some degree, that is what we are trying to determine in the first place. The public stance taken by the individuals cuts individuals off from their personal conceptions of the good, which is the only readily available source of information in understanding what our shared needs might be. A further question is at what level of analysis do we find the general will. In his lectures on Rousseau's political philosophy, Rawls claims that the general will is a method of public

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<sup>10</sup> Rousseau here is looking to take advantage of something like the Condorcet Jury Theorem, or (as Rawls describes it) Bernoulli's law of large numbers: so long as any given individual is at least 50% likely to be correct as to the true nature of what the public good is, then the general will will prescribe it, provided that there is a large enough population. But for this to be applicable, there cannot be any large interest groups, but more importantly, there can be no communication between individuals. This strange requirement is due to the fact that Bernoulli and Condorcet rely on the independence of statistical samples. If individuals communicate, their assessments of the public good will become correlated, and then the theorems are not applicable. For Rousseau's usage of these theorems, see *The Social Contract*, book 2, chapter 3.

reason.<sup>11</sup> Because of this, each individual has the general will, as well as her own private will. But this does not seem to be consistent with Rousseau's discussion of the general will. If the general will is to be determined by the intersection of individual public wills, then it is something different from any individual will, or at least the vast majority of individual wills. The general will is also described by Rousseau as being corporeal – it is something that becomes independent of the individuals that generated it: “The body politic, therefore, is also a corporate being possessed of...this general will...which is no longer that of any individual”.<sup>12</sup> This does not seem consistent with an analysis of the general will as a method of discourse.

However, the general will is meant to be used as the basis of the public sphere.<sup>13</sup> It defines the conditions of justice, freedom and equality, and governs the relationships between individuals. But as we have noticed, the general will does not utilize any account of individual differences – it only serves to strip them away. The private sphere is explicitly rejected as a source of the public sphere, as the general will requires a public stance that rejects individual interests. The general will itself is then made to exist independently of the particulars of the individuals in society that created (or found) it.<sup>14</sup> Here we find parallels to our discussion of the relevant units of analysis in our reasoning. There we rejected a notion of group-level analysis, and instead embraced individuals as the appropriate unit of analysis. But here we find the general will as itself operating at a group level of analysis: it is an entity independent of its members, and it is formed by deducing their fundamental shared interests.<sup>15</sup> Its independence by itself would be sufficient to suggest that there is a problem, but let us also consider the notion of

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<sup>11</sup> See Rawls, *Lectures on the History of Political Philosophy*, Samuel Freeman, ed. (2007)

<sup>12</sup> *Discourse on Political Economy*, pp.132, 140

<sup>13</sup> *ibid*, p. 132

<sup>14</sup> *ibid*, p. 140, *The Social Contract*, book 2, chapter 3

<sup>15</sup> “As long as several men in assembly regard themselves as a single body, they have only a single will...” (*The Social Contract*, book 4, chapter 1) Also relevant are book 4, chapter 2, as well as book 2, chapter 4.

fundamental shared interests, and show why it also would be a cause for concern.

The challenge of fundamental shared interests is the assumption that there is a proper set of fundamental shared interests that cover all individuals as they are, does not leave any important interests of individuals out, and is sufficiently well-defined such that the set of interests is enough to account for the public goods that the state ought to provide. But to claim as Rousseau does that such a set exists is just to beg the question. The public sphere, after all, is meant to structure society in such a way as to accommodate our needs. But if there are fundamental differences in what our needs are, or even in what our understanding is of these differences, the public sphere is where this discussion needs to take place. The general will, which underlies the public sphere, relies on the idea that there is a single unchanging set of fundamental human needs. As the fundamental interests under discussion are those interests that we take on as members of a society, and not as the pre-social brutes that Rousseau imagines in the state of nature, it is even more plausible that different individuals, or even different sub-groups, have different fundamental needs in society to satisfy their conception of the public good.<sup>16</sup> But if this is the case, then we at least have plausible grounds for questioning whether there is a set of fundamental shared interests. Given the existence of this question, then the construction of the public sphere ought to then pay attention to the diversity of basic needs and interests that are represented in society.

So we see with Rousseau that the formulation of the general will is problematic on a few grounds. First, we find that the general will is detached from the individuals who will it, which leads to difficulties very similar to those found in the notion of treating groups as the unit of

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<sup>16</sup> Since these needs are not food and shelter, but rather social needs, one would expect that these would at least track social, economic and technological changes. Rousseau's doubt about this is understandable, as at the time he was writing, there had yet to be significant technological changes that fundamentally affected the quality of life. These did not arrive until after the industrial revolution and subsequent advances in farming. See Gregory Clark, *A Farewell to Alms*. (2007)

analysis. The process of willing is also problematic, as it seems to suffer the same kind of challenges that the team reasoning literature does.<sup>17</sup> Finally, the general will relies on a notion of fundamental shared interests that goes without elaboration or discussion. As the general will tries to discover what the fundamental shared interests are in the first place, it is illegitimate to assume away the possibility that there is no single set of fundamental human interests.

It is possible that this line of critique leverages the fact that the general will is a fairly complicated theoretical entity that relies on an equally complicated social process, rather than getting at something more fundamental about the methodology employed by social contract theorists in the construction of the public sphere. To resolve this, let us turn our attention to Rawls' social contract theory, and the mechanism of the Original Position in particular.

### *Rawls and the Original Position*

Rawls, like Rousseau, faces the challenge of developing an account of the public sphere. Rather than trying to use something like the general will, which requires individuals to take a public perspective rather than an individualist perspective, Rawls imagines instead that the parameters of the public sphere can be developed by means of an idealized, hypothetical bargain: the Original Position.

The Original Position can be thought of as the culmination of the basic ideas in the history of the social contract tradition. That is, we find a notion of bargaining that is prevalent in Hobbes and Locke, but from Rousseau we have an account of impartiality and independence from the status quo. The Original Position side-steps the fiction of a historical state of nature that supplies the justification for certain assumptions about the nature of humans and the influence of society on this basic nature, and in its place it explicitly provides an account of the

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<sup>17</sup> See *Teamwork: Multi-Disciplinary Perspectives* N. Gold, ed. (2005)

ideal situation from which to reason about justice.

In the Original Position, we are to imagine individuals who have comprehensive interests and individual notions of the good that have gone behind the thick veil of ignorance. This veil radically alters their epistemic situation. Though these are meant to be actual people who live in a particular time and place, have certain skills, are of a particular demographic, and have particular interests and affiliations, behind the veil of ignorance, they are not aware of any of these facts about themselves. This ignorance extends even to knowledge of what generation one is in: individuals literally know nothing about their particular situation. Their ignorance extends beyond this, however. Not only do they not know anything about themselves in particular, they do not know anything about the general shape of their society. They do not know the proportion of rich to poor, or what the distribution of jobs is, or anything of even a statistical nature about the demographics of society. Their ignorance, however, does not extend to all domains of knowledge, however: they know something about economic principles, natural laws, and other theoretical knowledge that is not dependent upon particulars.

Rawls also assumes that the individuals in the Original Position are rational in the sense that they obey the rules of rational choice as developed in economic theory. This is an important assumption: Rawls aims to show that instrumental rationality alone is enough to get his principles of justice.<sup>18</sup> The axioms of rational choice here are significantly constrained, as the Original Position is a position of massive uncertainty. What is striking about this model is that the agents are engaged in a bargain over how to determine the basic structure of society, which

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<sup>18</sup> It should be noted here that Harsanyi developed an account of the original position independently of Rawls at approximately the same time as Rawls, though saw it justifying a form of utilitarianism. There is some difference, however, in the “thickness” of the veil of ignorance in Harsanyi’s account, as he allows some demographic information. See Harsanyi, J. (1953) "Cardinal Utility in Welfare Economics and in the Theory of Risk-Taking", *Journal of Political Economy* 61(5):434-5

shapes the distribution of primary social goods,<sup>19</sup> without having any knowledge of what their bargaining position is. In this way, it is a very peculiar bargain – the parties involved not only have no idea of what their current position in society is, but they also have no knowledge of what the consequences of the bargain are for them as individual stakeholders.<sup>20</sup> This kind of uncertainty is such that Rawls argues a rational agent is forced to adopt an attitude of heavy risk aversion. Since one cannot tell who one is, one ought to maximally hedge one’s risks by ensuring that the worst off in society is at least above a certain threshold of acceptable living conditions.<sup>21</sup> The bargain can then be seen as one over alternative conceptions of justice, which shape the distribution of primary social goods. Since there is an infinite possibility of alternative conceptions, he assumes that the agents are given a short list of the most plausible alternatives to his theory, with utilitarianism being of primary interest.

What I would like to discuss is not whether his analysis of rational choice under massive uncertainty is correct: instead I would like to argue that the setup for this thought experiment is one that, like Rousseau’s account of the general will, precludes the possibility of diversity in the public sphere. The first thing to notice is that multiple parties are superfluous to the bargain in the Original Position. Since each individual has no knowledge of who she is (or even whether she is a she), or where she will end up in any given distribution of primary social goods, she (by design) has nothing to differentiate her from any of the other individuals. On Rawls’ conception, the only features of herself that she has access to are that she is rational, and that she is risk averse in the face of massive uncertainty. So, there is nothing to be gained by bargaining with

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<sup>19</sup> Primary social goods, which Rawls articulates in section 15 of *Theory of Justice*, can be thought of as liberties and opportunities, income and wealth, and how they are distributed.

<sup>20</sup> For a further elaboration on this point, see Rawls’ “Some Reasons for the Maximin Criterion”, *American Economic Review* (1974)

<sup>21</sup> See the article referenced in the previous footnote on the details of this reasoning. Since risk aversion is a psychological trait, and one is supposed to be ignorant of such traits behind the veil of ignorance, I view this as a point of contention in Rawls’ theory. However, I grant the assumption for the purposes of this discussion.

another individual rather than just bargaining with herself. Neither party represents any particular interests, nor do they have any private information that can inform the bargain. As such, a single individual can be an advocate for all sides of the bargain at the same time. So trivially, there can be no diversity in the original position. No one has an opposing view, special knowledge, different cognitive abilities, or anything that differentiates them from the other parties. There can be plenty of diversity in the private sphere – Rawls’ principles of justice are defined so as to allow for a great deal of tolerance of diversity in the private sphere. But at no point is there room for any diversity at the level of the public sphere.

We have yet to see, however, why diversity might be something that we ought to pay close attention to. To better understand what diversity can do, we now turn to an economic understanding of the role of diversity.

### *Economic Perspectives on Diversity*

#### *Motivation*

Relying on economic examples to motivate the potential desirability of agent diversity has two main benefits: first, as has already been suggested, there are a number of such examples at the very core of economic theory, and second, economics might help point us in the direction of an understanding of how to allow diversity to thrive without the downside of increased conflict due to differences in individual preferences. Market mechanisms, when they are working, have an impressive ability to coordinate the actions of large numbers of people who agree on very little. In fact, the earliest arguments for a capitalist system were not the now-standard arguments from efficiency, but rather they had a moral perspective. As Hirshmann



discusses in *The Passions and the Interests*, commerce and its mechanisms were seen as agents of positive change. Smith claimed that markets made agents more empathetic, as understanding what one's trading partners want and need can better facilitate exchange. Given that there is a monetary incentive for encouraging as many exchanges as possible, there is then a corresponding incentive for coming to better understand other people. Other kinds of interactions then are made easier because of the agents' more developed moral sentiments. Hirshmann also identifies one's "interests" in monetary gain as a constraint on one's "passions" for more ephemeral goals, such as personal honor or glory. These latter goals tended to involve bloodshed and also a large amount of unpredictability. Commerce, and the interests it generated, encouraged both predictability and cooperation. Agents going after their interests may not agree any more than agents following their passions, but their diverse interests can be coordinated by a market without any real requirements for agreement. Although it will be addressed more directly in later chapters, as we consider the cases in economic theory in which diverse agents are either recommended or required, we can briefly consider how the agents are able to coordinate.

As we saw earlier, there are several ways in which agents can be diverse. In this section, we will focus on three: preference diversity, skill diversity, and knowledge diversity. These play a large role in economic theory. This is not without cause: what we will now turn to is why these cases of agent heterogeneity are of particular importance. First we will look at the general structure of markets, but we will then delve in with a more careful look at Ricardo's theory of trade and Smith's division of labor. From there, we will turn to Hayek's understanding of the role of local knowledge in organizing a society. Finally, we will briefly turn to the role diverse agents can play in the provisioning of public goods.

A market can be considered a collection of rational buyers and sellers, and the

transactions that take place between them. Buyers have a particular demand for a good or bundle of goods, and sellers have a certain supply. What is to be noticed in this description is that it immediately pre-supposes an asymmetry between buyers and sellers. That is, sellers have something that the buyers do not, and vice versa. A basic assumption of any market model is that transactions between rational agents take place only when there is at least the expectation of mutual advantage. That is, both parties must expect to gain from the transaction, otherwise the agent who anticipates getting hurt in the deal would simply not agree to it in the first place. Because of this assumption of rationality, if a market exists, it must be the case that individuals are different in terms of their endowments, preferences, or skills.

So far this is a trivial claim – buyers have to want what sellers sell. But from this we can see more substantial claims are possible. If we are to find further conclusions, we need to add in more specifics about basic economic theory. To start with, we will consider the basic contribution of Adam Smith, in the first chapter of his *Wealth of Nation*: the division of labor.

### *The Division of Labor*

Smith motivates the notion of the division of labor with his famous example of the pin factory. The problem he was trying to address is basic: in smaller societies, the needs to be provisioned are fairly small. Because of this, any given individual can take on a number of tasks and do them adequately enough to ensure that needs will be met. However, as societies get larger, eventually there are so many different needs, and in such great amounts, that the previous method is no longer tenable. In a small society, the needs for pins are not so great, and so a single individual can be an artisan, and take on the entire manufacturing process. But in a large society, there is such a large demand that there simply are not enough individuals to provision

pins in this manner. So instead, pin-making is broken down into separate tasks – drawing the wire, straightening it, cutting the wire, and grinding the ends. Any given individual is responsible only for laboring on a single task. So rather than make an entire pin, an individual will only cut wire, while others will perform the other elements of the manufacturing process. (Smith, bk I, ch 1)

This division of the tasks allows individuals to become specialized: that is, they will gain additional proficiency at performing their given task. Smith described this as gaining additional “dexterity” with their specialization. Another advantage is that time is saved, as workers do not have to constantly switch tasks – workers can spend more time being productive. A final advantage, which is not relevant to this discussion, is that specialization also encourages specialized machinery that can aid in a laborer's task.

It is the notion of specialization that is of particular interest here: the factory is able to become more productive because different groups of agents take on different tasks, and because one group dedicates itself to its task, it can more easily develop better techniques. An important consequence of this is that, as more opportunities for more fine-grained divisions of labor become possible, there are economic rewards to utilizing them.<sup>22</sup> The division of labor, then, can be seen as an engine for the promotion of skill diversity. This has two components: first, it demonstrates how to take advantage of an existing set of skill-diverse agents, and second, it shows how economic pressures exist for increasing a population’s diversity over time.

Smith’s Division of Labor is seen as a major engine for growth. The material benefits of continuing the division are very large at a social level – it enables more goods to be produced at much lower costs, and so the well-being of every individual is indirectly improved through the availability of more consumer goods at lower prices. It is useful, however, at this point, to note

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<sup>22</sup> Smith points this out in Book I, chapter 2.

that the advantages of the division of labor can be viewed either from the perspective of the society or the individual. Socially, it is theoretically clear that the division of labor creates huge gains, and there are always social interests in promoting further divisions and distinctions among agents and processes. However, from an individual perspective, there is a trade-off that is not represented at the social level. While individuals tend to be made more economically well-off because of their increased productivity, Smith notes well before Marx does that this can occasionally result in a loss of well-roundedness. An artisan or craftsman makes an entire product, and is able to have a more well-rounded set of skills. A specialist, on the other hand, is not able to make the whole product, and as such, is highly dependent on others. Marx pushes this idea further to argue for the alienation of the worker from the product of his labor. It is for this reason that he seems to endorse an ideal of an individual as a generalist, rather than a specialist. These problems are important, and will be considered in later chapters. For present purposes, it is sufficient to show that the division of labor both supports existing diversity and promotes greater diversity in the future.

### *Comparative Advantage*

David Ricardo extended the division of labor theme in his theory of international trade. In Ricardo's trade theory, he argued that the mere existence of differential production in a situation in which at least two goods are being traded led to the opportunity for wealth creation. To show how this works, let us first consider two terms: absolute advantage, and comparative advantage. Imagine two individuals, Alice and Bob, both of whom produce shirts and pants. Let us suppose that in a day Alice can make 12 shirts or 9 pairs of pants. If Bob made only 4 shirts or 8 pairs of pants a day, then Alice would have absolute advantage over Bob in making both

shirts and pants. If Bob could make 5 shirts in a day or 15 pairs of pants in a day, then Alice would have absolute advantage in shirt-making, while Bob would have absolute advantage in pant-making.

The case of absolute advantage was accounted for by Smith. Absolute advantage merely takes into account who is more able to produce a given good given the costs (in this case, time). Trade theories based on absolute advantage would claim that Bob and Alice would trade only in the second situation. Comparative advantage, on the other hand, argues for considering the opportunity costs of production, rather than the actual costs. So, even if Alice has absolute advantage over Bob in the production of both shirts and pants, Bob has comparative advantage in the production of pants, as it costs him less in terms of the production of shirts to make a pair of pants than it does Alice. In this kind of situation, Alice and Bob can benefit from a trade that generates more wealth, even if Alice is better able to produce both goods. This comparative advantage should cause Bob to produce only pants, while Alice produces only shirts. An exchange rate would be determined to ensure that both parties are made better off. The exchange rate would favor Alice, but this is because she already had an absolute advantage, and is able to produce more, absent any trade. But even though Alice would experience a little more benefit than Bob, both are still made better off than had they not made any exchange.

The notion of comparative advantage is important for several reasons. First, just as with Smith, it demonstrates that material benefits can be found from the existence of agent diversity. It also helps further the account of how incentives exist to create more diversity and specialization. What is unique about comparative advantage, however, is its implicit argument that diversity is in some sense more important than absolute advantage. That is, it is a remarkable testament to the power of the dynamics of a diverse population that one can be made

better off by trading with someone who is less skilled at everything. Agent diversity both creates the opportunities for and encourages specialization, and specialization creates opportunities for material growth.<sup>23</sup>

So we see that there are always incentives for agents who are different to take advantage of the fact that they are different, and more importantly, there are incentives for agents to become more different. At present time, this can be understood to be taking an existing comparative advantage and increasing one's specialization. This has an interesting consequence as well: while there are clearly individual benefits to improvements in one's specialization, there are incentives for individuals to help others improve their specialization, though to a lesser degree. This is because the overall skill increase translates into a larger social product from which all participants gain. While the incentives are smaller than what they are for the development of one's own talents, if they are viewed in the aggregate, they are almost always larger than the value of improving one's own skills. Imagine a talented baker, Anne, who is also a talented brewer. Next door to Anne is Carol, who enjoys brewing, but isn't very good at it yet. Since Anne wishes to enjoy both the bread that she bakes and the beer that she brews, she has a conundrum: the opportunity cost of brewing is very high, as it is difficult to acquire bread of the quality she is capable of elsewhere. Rather than simply grow despondent over her predicament, Anne decides to invest in Carol's brewing endeavors. It is in Anne's interest to invest her own resources in Carol's abilities, rather than her own, because her opportunity costs are much higher than Carol's. If Anne invested in her own brewing skill, she would have to forego all the baking that she could have done during that time. So instead of having to choose between bread and beer, Anne chooses to invest in Carol so that Anne can end up enjoying more of both, by means

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<sup>23</sup> I say material growth here given the economic context. However, I intend to argue for the cultural benefits of diversity and specialization later using similar arguments.

of trade. Comparative advantage, then, can provide a self-interested motivation for investing in the education and skills of others.

Outside of material benefits, however, does economics have any other means of supporting the claim that there are benefits to agent diversity? The epistemic situation that agents find themselves in provides a notable source of potential benefits. That is, individuals are exposed to a great deal of information, much of which is superfluous, and very little of which is complete. In some senses, we have far too much information to fully utilize it all, but in others, we lack a great deal of information that would be of great use to us if we were to have access to it. This epistemic problem stems from both the fact that we are cognitively limited, and the fact that our environment is very complex and varied.

### *Epistemological Challenges of Complex Environments*

Hayek, in his “The Use of Knowledge in Society” argues that a central planner would be unable to properly manage an economy, because the epistemic failures of any individual would be too great. While he frames the discussion in terms of a central planner, we can think of the argument in terms of agent homogeneity. That is, rather than one agent making decisions, we have a lot of agents who have homogeneous preferences, use the same decision-making procedure, and who have access to the same information. In this case, they will always all make the same decision.<sup>24</sup>

There are several dimensions along which this homogeneity causes a problem. I will argue that across each dimension, agent diversity is incentivized. Hayek focuses on one dimension: knowledge and information. Given that the environment we are in is extremely varied, knowledge of local conditions could be extremely important. For example, Europeans

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24 Of course, this would be false if there were some method of randomization in the decision-making process.

attempting to use farming techniques developed in Western Europe in sub-Saharan Africa failed due to the fact that the local growing conditions were significantly different from Europe. Less severe cases of this are true in general with something as basic and important as farming – rain levels, soil conditions, access to technology and infrastructure, the local population, local flora and local fauna can all impact what an appropriate farming decision is. Individual farmers have very good reasons to become experts in the conditions of their local area, but have little to reason to develop such specialized knowledge about other areas. Even if they did have such an interest, it would be an impossible task, as there is far too much information to learn. Similarly, a mayor has good reason to know all about the political players in her city and to some extent her state, but has little reason to make such efforts to learn about the political players in other municipalities. A trivial example is knowledge of the roads in one's town. There are good reasons to invest time and energy in learning shortcuts, traffic stops, and other peculiarities of the roads that one travels on every day, but there is no reason to do that for somewhere else. Simply in virtue of their physical location, agents need to develop specialized local knowledge.

Hayek correctly argues that there are ways in which this information can be aggregated for the benefit of society as a whole. In a market economy, the primary means by which this happens is the price system. Once I found out that orange trees had severe frosting, I would buy as much orange juice as I can, in anticipation that the reduced supply of oranges would drive up prices. This act in itself would help prices go up. The price, then, functions as an aggregate statement about the relative prosperity of the orange crop in comparison with other goods. Prediction markets can do this for a variety of areas in which we lack solid information. The classic case of this is sports betting, but now the same methods are applied to a number of areas, including the outcomes of political elections. People can profit from their specialized knowledge



by betting before others do. By this means, the market incentives motivate people to make their private knowledge public, and we all benefit epistemically.

A second major avenue by which a complex environment incentivises diverse agent populations is by means of encouraging a varied approach to decision-making procedures. In a market example, if we consider the huge amount of complexity involved in the changes in prices across different market sectors, it is in fact impossible for a single investment approach to be successful. If everyone bought and sold the same stocks at the same time, prices would be subject to fluctuations that would result in huge extremes – prices of some stocks would become zero, and others would approach infinity.<sup>25</sup> Modern financial markets have begun to show some features of this, due to what is known as program trading. Program trading is the practice of programming a computer to make automated trades of several financial instruments at once based on certain threshold values. This strategy is heavily employed by hedge funds, which often have fairly similar thresholds for trades. This automated process, which moves huge amounts of money around at once, creates a great deal of volatility in financial markets.

Suppose we assume a much less-extreme version of this, where only the majority of investors apply the same decision procedure, and the remaining part of the population have their own investment strategies. In this case, the response from the remaining portion of the population would be to arbitrage away the gains that might be possible for them. As an example, imagine that the Chinese stock market were completely closed to external investment. Though some more affluent citizens might be investing in the market, the dominant investor is the state. If the state's investment strategy were discernable to other investors, they could just, for instance, purchase the stocks that the state would soon buy, and sell the stocks that the state would soon

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<sup>25</sup> Of course there are practical limitations to infinite prices, as there is not an infinite money supply. However, if everyone were to buy the same stock at the same time, with no one willing to sell, the price would be in effect infinity, as there is no market-clearing price possible.

sell. Steps like these allow the other investors to treat the state as a money pump, arbitraging away any gains that the state might have made. In general, if one employs a known investment strategy, or one that is common, one opens oneself up to such arbitrage opportunity. Markets literally cannot “move” – that is, make trades – unless there are so many investment strategies being employed at once that any given strategy cannot be distinguished from “white noise”. This is a consequence of the No-Trade Theorem in economics.

While the No-Trade Theorem establishes that diversity is required for basic (stock) market function, there is a more interesting second claim that can be made, that is more in line with Hayek’s observation about knowledge. Because there are a great many unknowns about the structure of the information we receive from the world, it is difficult to know whether the decision procedures we are using are any good, let alone optimal. The simplest way of getting more data on the quality of one’s decision strategy is by means of performance comparison. So if a population employs a range of decision strategies, it is easier to see which of them have better outcomes. The population can then shift towards using the stronger decision strategies, and then attempt further refinements. This process of imitation and refinement can be fruitfully compared to an evolutionary mechanism. We can see that imitation can work only insofar as there exists variation in the population. What’s more, variation must be continually present. These varied strategies will have an associated fitness, based on how well they deal with the underlying epistemic situation. Better strategies will be selected for in the population, as people can then simply copy what they see as the more successful strategies in the population.

It may further be the case that some decision strategies are simply better in certain contexts. That is, local variations in the information environment will favor a decision procedure that is not globally favored. For example, environments that can be characterized as having

many micro-climates, such as the San Francisco Bay area, Seattle, or Portland might be ones in which it makes more sense to invest more heavily into regularly gathering weather information, whereas this would not make much sense in a location with a fairly stable climate, such as Los Angeles. As such, the environment itself can be a strong motivator of decision-making diversity.

Thus far we have found that within economics both from a material perspective and from an epistemic perspective, there are significant claims to both the fact of diversity and the value of diversity – even among ideally-rational agents. The final area we will consider from the economic perspective is that of collective action. In this case, we will take into consideration Hardin’s work in this area.

#### *Public Goods and Collective Action*

In his *Collective Action*, Hardin provides a framework for judging how different groups succeed in providing public goods or preventing public bads. For our present purposes, we will only need to consider the basic tenets of his account. We can imagine a population of size  $P$  who potentially have an interest in provisioning a good  $G$ . This good has a value  $g_i$  to each individual  $i$  in the population. There is also a single cost for provisioning the good,  $C$ . This cost is a fixed amount, independent of the size of the population. Due to the nature of public goods, one cannot prevent others from having access to the good – it is either provisioned to everyone, or it is provisioned to no one. The good is provisioned if there is a minimal sufficient subgroup  $K$  of the population  $P$ , for whom the value  $g_i$  is greater than  $C/K$ .<sup>26</sup> If this is the case, then each of the individuals in  $K$  would be willing to pay for provisioning the good  $G$ . If this is not the case, then

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26 This further depends on the size of  $K$  itself. I refer to  $K$  here as the minimal subgroup of  $P$  that meets the constraints described. Hardin has a detailed account of the importance of smaller  $K$ ’s for successful provisioning of public goods. Here all we need to rely on is that smaller  $K$ ’s are better able to successfully provision public goods than are larger  $K$ ’s. This argument is developed in detail in Olsen’s *The Logic of Collective Action*, and is also refined in Hardin’s *Collective Action*, particularly in chapter 3.

the good cannot be provisioned without some kind of external authority that could coerce people into providing the public good.

Hardin considers a few extensions to this basic model relating to asymmetries in the agent population.<sup>27</sup> He conceives of asymmetries as differential benefits to a public good, or differential costs. These translate well to preference diversity and skill diversity, respectively.<sup>28</sup> An important feature of these asymmetries is that they can make the provisioning of public goods easier because of how they can affect the minimal size of  $K$ . Take the case of preference diversity. Imagine two populations,  $P$  and  $P'$ . In population  $P$ , everyone has the same set of preferences, and as such everyone has the same valuation for the provisioning of a good  $G$ . In population  $P'$ , however, agents have different preferences, but we will assume that the mean<sup>29</sup> of these preferences in relation to good  $G$  is the same as the mean in  $P$ . Since preferences are diverse, we know that there must be individuals who have valuations greater than the mean. Just with this information, we can establish that, for any given  $K$  where  $\text{Card}(K) > 2$ , the size of  $K'$  of  $P'$  can always be smaller than  $K$ . If we have additional information about the distribution of preferences, we can make more accurate statements about how much smaller  $K'$  will be.<sup>30</sup>

Hardin notes that a single asymmetric population is likely to be able to find support for a number of public goods simultaneously, since individuals can be highly motivated across many different dimensions of a preference space.<sup>31</sup> It also creates opportunities for some amount of logrolling, in which different subgroups can trade support for their causes in order to achieve a

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27 See pages 68, 111, and 119.

28 Note that there is a difficulty in directly translating differences in costs to differences in skills, if we assume that individuals have a declining marginal utility for money. In this case, costs can be lowered either by means of the possession of some skill or by possessing a large endowment of money. Insofar as money can be turned into a technological advantage, or just a direct purchase of the good in question, it can lower costs the same way a skill can.

29 This argument would also work if we employed the median rather than the mean.

30 On page 68, Hardin speculates that the nature of, say, political views is such that the distribution will be sufficiently skewed to encourage the creation of smaller  $K$ 's.

31 See page 119 for his discussion.

sufficient number of contributors. It should be noted that we can apply similar arguments to the case of skill diversity – insofar as some skills can lower the effective cost of provisioning a given public good, even if we hold preferences constant in a population, the differences in skills create opportunities for smaller  $K$ 's, since there will exist subgroups for whom the effective cost of provisioning the good is lower than it would have been had everyone shared the same skill set. These lower costs increase the likelihood that the good can be provisioned.

A more difficult question to ask is what happens when a population has diversity of both skills and preferences at the same time. This will, to a large extent, depend on the covariance of skills and preferences. There are three classes of cases that are interesting to consider: positive correlation, independence, and negative correlation. In the case of positive correlation, we find that individuals who have a greater preference for a good  $G$  also have skills that would lower the cost of providing the good. Here we can imagine that people who like public gardens might also have a greater ability to garden themselves, or those who would like a community orchestra are also those that are themselves musicians. We can see how other public goods can have similarly motivated individuals, like in the case of a firehouse, a community watch group, and lifeguards at the beach. Because of this positive covariance, we should expect the minimal  $K$  to be even smaller, since perceived benefits are larger and costs are lower.

In the case of independence, we effectively reduce ourselves to the previous consideration of varying only one parameter at a time. Since skills and preferences are independent, we should expect minimal  $K$ 's to be roughly the same size as the cases in which only one parameter is varied, though perhaps more likely. There are three ways one can consider the composition of the members of a subgroup  $K$ : they could all be higher-skilled, they could all be more interested in the good, or they could be a mixture of the two. In the first case, we can

imagine that engineers are more capable of providing public goods like levees, even if they don't have any special interest in the construction of any particular levee. As with any case of those who are more skilled but perhaps less interested in provisioning the good, opportunities for logrolling are available. That is, those may trade their efforts to support one public good in order to get help on another good. In this example, perhaps engineers as a group have a greater interest in having recycling programs. They can trade their talents in levee construction for support of recycling centers. The second case to consider here is a group with skills no different from the rest of the population, but with a great interest in providing the good. A national army seems to be a candidate for this. Soldiers appear to place a great deal of value on the kind of service they perform for their nation. Even though there are plenty of able-bodied, and even athletic people that are not soldiers themselves, they do not place the same amount of value on the service. The final case to consider here is that of a K with a mixed population. This likely covers a broad range of cases, but one important example is that of the system of public defenders and prosecutors in the legal system. Some public defenders do it because it is the virtuous thing to do, and some might do it as a career stepping stone – it is a means to demonstrate their legal skills, and better position them for either lucrative jobs in private practice or consideration for a judgeship. Though the individuals might have different motivations, as a whole they enable the public good to exist and to persist through time.

In the final case that we can consider, we could have negative correlation of skills and preferences. In this case, we are forced into the logrolling scenario: individuals who have the most ability to achieve some end X, but do not want to achieve it, can trade their abilities to a group who wants X but cannot provision it themselves, in exchange for their ability to provision Y. How well this scenario works is dependent on the particular utility calculations of the

different cohorts of individuals. Individuals will be willing to trade skills only so long as the trade remains utility-increasing. That is, the positive utility gained from getting their public good must overwhelm the potentially negative utility of working to achieve some other public good that their skill set happens to be suited to. This is further complicated by whether there exist opportunities for shirking if the trade is sequential, or one good requires some amount of maintenance, while the other has only one-time startup costs. Analysis of these situations is left to later chapters.

This analysis of asymmetry in collective action makes a significant claim about the value of diversity in either economic or political contexts. Agents in more diverse populations are more likely to have more public goods provisioned, even if their mean preferences and their mean skills are identical to a homogeneous population. More public goods provisioning results in higher average utility, and so provides material benefits to the agents. The last case considered, in which a diverse population had a negative correlation between skills and preferences, is by far the most interesting to consider, but it tells a potentially mixed story. In this case, it is no longer clear that each individual's utility has increased, if there are many public goods and many skills, as some public goods may be viewed as public bads by portions of the population. An example of this could be the provisioning of a town bell to announce the five prayer times for a Muslim community, which may be viewed as a nuisance by a non-Muslim portion of the population. Since logrolling and trades could be sequences of bilateral agreements in a population with more than two groups of individuals, it could be the case that some bilateral trades might have negative externalities for third parties. At the same time, however, it is equally possible that there are positive externalities. However, the complexity of this particular case should not distract from the general result that more public goods can be provisioned, and in

most cases, this will generate material benefits for the whole population, though the amount of benefit will vary across the population.

### *Summary of Economic Perspectives*

What we have seen so far is that in four different cases in economic theory, we have arguments that support the value of diversity. In our beginning investigation of economics, we noted that diversity is required for the existence of a market. From Smith, we find that the division of labor both creates additional material benefits, and provides incentives for agents to differentiate their skill sets. This provides direct support for the value of skill diversity, as well as some evidence for its inevitability. We found that Ricardo further develops this thread by means of the notion of comparative advantage. Combining comparative advantage with the ability to trade increases the value of skill diversity even further, as we find that even if one agent's skills are completely dominated by another's skills, there are still opportunities for trade that make both better off. Our discussion of Hayek showed that there are epistemic benefits to skill diversity, knowledge diversity and perspective diversity. Finally, an analysis of collective action demonstrated that preference diversity and skill diversity can provide material benefits to both individuals and a population as a whole.

This investigation allows us to see that a population of rational agents will not only always be diverse, but will frequently have reasons to become more diverse. Insofar as these kinds of diversity are correlated with differences in perspectives on the nature of the public sphere, an analysis of the public sphere will have to recognize these perspectives, or heavily restrict the private sphere so that it too becomes homogeneous. If we are to retain at least some of the goals of the liberal political tradition, and want to maintain a relatively free private sphere,



then we are forced to acknowledge the legitimacy of diversity in the public sphere as well. A just social order will rely on understanding the nature of the world that we find ourselves in, understanding of our nature as humans, understanding how we are able to interact with each other, and discovering mechanisms to achieve the ends that we set for ourselves. This is contingent on too many factors that are discoverable only by rational deliberation informed by social experimentation. As this chapter demonstrates, the presence of and thoughtful leveraging of diversity helps make these challenges more manageable.

In the next chapter, we will look at the philosophical literature on diversity largely outside of the social contract tradition, with a particular emphasis on Mill and his notion of experiments in living. Mill's arguments powerfully show that the private sphere has to be defined in part in terms of the allowances for experimentation. But there are some arguments that at least suggest the value of diversity in the public sphere. The following chapter's goal is to augment the economic arguments for diversity with those found in the philosophical tradition.