

On H. M. Oliver's "Established Expectations and American Economic Policies"*

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H. M. Oliver's "Established Expectations and American Economic Policies" bears directly on a normative problem at the intersection of ethics and economics that has received much less attention from philosophers than from social scientists and policy makers: how should we respond to changes that threaten to disrupt established expectations? This problem remains as central today as it was seventy-five years ago. For Oliver, the threat came from the Great Depression, while today's established expectations face challenges ranging from technological innovation to free trade to climate change. Oliver's article makes three core claims:

- (1) a variety of perspectives endorse protecting established expectations, but
- (2) protecting established expectations is self-undermining, and
- (3) protecting established expectations hinders more valuable goals.

Oliver believes that, because of his second claim, the protection of established expectations will not endure, and, because of his third claim, he regards this outcome as welcome. I agree with Oliver's first and third claims, but not his second. We should resist the attraction of protecting established expectations to the extent that doing so interferes with more important goals. But our resistance must proceed without Oliver's confidence that protecting established expectations is self-undermining.

*A retrospective essay on H. M. Oliver Jr.'s "Established Expectations and American Economic Policies," *Ethics* 51 (1940): 102–8. All references to sections and page numbers are to this article, unless otherwise noted. I am grateful to R. J. Leland for helpful comments on an earlier draft and to Debra Satz, Joshua Cohen, Eamonn Callan, and members of the Dirty Leviathan Society at Stanford University for instructive discussion.

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Oliver begins by describing the remarkably broad coalition arrayed in defense of established expectations. Their core credo, as Oliver reconstructs it, is the belief that “the state’s economic policies should be designed to prevent disappointment of expectations” (103). I’ll refer to this credo as the “prevent disappointment of expectations” (PDE) principle. Oliver then details PDE’s endorsement by three disparate groups: holders of substantial wealth, representatives of farmers and homeowners, and labor leaders (103–6). The small recent philosophical literature on expectations indicates the continuing truth of Oliver’s belief that PDE’s appeal transcends political lines, with liberals like Alexander Brown and Aaron James, utilitarians like Robert Goodin, communitarians like Michael Walzer, and libertarians like Ellen Frankel Paul all endorsing—in different ways—some version of PDE.¹

Oliver goes on to contend that despite support from this coalition of otherwise divergent interests, PDE is ultimately self-undermining. Because “most established-expectations claims are potentially incompatible with most others” (106), these claims will ultimately end up working at cross purposes. For example, workers’ expectations will clash with business owners’, and banks’ with homeowners’. Oliver believes these clashes will be particularly visible in times of economic recession: “When total social income falls, at least some men’s incomes are bound to fall, and the state cannot restore their income to the former level without lowering other men’s income” (107). Oliver seems to believe that PDE, understood in an appropriately general way, produces something analogous to what Kantian scholars call a *contradiction in conception*—if generally followed, PDE undermines the very end it aims to achieve.²

The past seventy-five years have been unkind to the contradiction-in-conception suggestion: PDE has shown remarkable staying power. Even when total social income is stationary or falling, PDE’s advocates have avoided undermining one another’s aims by instead taking from those who as yet lack established expectations—a group Oliver’s analysis overlooks. (Indeed, the economist Benjamin Friedman has argued that PDE becomes more compelling in times of recession.)³ For example, to avoid disappointing retirees’ expectations that they will receive publicly

1. Aaron James, *Fairness in Practice* (New York: Oxford University Press, 2012), especially 204–13; Alexander Brown, “Justifying Compensation for Frustrated Legitimate Expectations,” *Law and Philosophy* 30 (2011): 699–728. Robert Goodin, “Stabilizing Expectations: The Role of Earnings-Related Benefits in Social Welfare Policy,” *Ethics* 100 (1990): 530–53. Michael Walzer, “The Communitarian Critique of Liberalism,” *Political Theory* 18 (1990): 11–13. Ellen Frankel Paul, “The Just Takings Issue,” *Environmental Ethics* 3 (1981): 309–28.

2. Onora O’Neill, *Acting on Principle: An Essay on Kantian Ethics*, rev. ed. (New York: Cambridge University Press, 2013), 143–72.

3. Benjamin M. Friedman, *The Moral Consequences of Economic Growth* (New York: Vintage, 2005), 83–87.

funded pensions and other aid, spending on children—who have not yet developed expectations—has been reduced and is under further threat.⁴ Similarly, policies that protect current workers' and homeowners' expectations, such as seniority systems and limits on new construction, have been adopted even though they constrict the expectations of who currently lack homes and jobs.⁵ And the desire to secure the expectations of people holding wealth has led governments to prioritize preventing inflation over promoting employment.⁶ These policy choices all satisfy PDE, since, rather than disappointing anyone's established expectations, they prevent the young, unemployed, or poor from ever establishing expectations in the first place.

Oliver does predict that PDE will limit "total social income," because pursuing it will tie the economy in knots (107). However, that PDE will reduce total social income does not entail that PDE is self-undermining; rather, it entails that PDE is either self-undermining (if lower total social income threatens established expectations) or bad for many of society's most vulnerable members. This suggests that pursuing PDE entails something more analogous to the Kantian "contradiction in the will": although PDE is not self-undermining, its pursuit threatens a central and widely shared commitment, namely, helping the vulnerable.⁷

Oliver concludes his essay by suggesting that advocates of PDE might avoid contradiction by arguing for the satisfaction of important or legitimate expectations. But he observes that this is likely to lead them to shift from a focus on expectations to a broader concern with legitimate claims, which might be rooted in desires or needs as well as in expectations (108). I agree with Oliver that this turn away from deference to expectations is important. But to the extent that we agree with Oliver that a more inclusive principle is preferable to PDE, we cannot sit back—as Oliver believed—and wait for PDE's advocates to realize they are pursuing a self-undermining end. Nor, as Oliver did, can we claim that the "preservation of status is not and cannot be a feasible criterion of economic justice" (107). Cutting educational funding or minimizing

4. See, for example, Marta Tienda and Ron Haskins, "Immigrant Children: Introducing the Issue," *Future of Children* 21 (2011): 3–18, 13. Another prominent example of such a proposal is the British government's effort to cut child benefits for working families in order to preserve the pensions of wealthier pensioners, as described in Rowena Mason and Patrick Wintour, "David Cameron Defends Plans to Cut Benefits for Working Poor," *Guardian*, September 30, 2014, <http://www.theguardian.com/politics/2014/sep/30/david-cameron-cut-benefits-working-poor>.

5. See, for example, Francois Ortalo-Magne and Andrea Prat, "On the Political Economy of Urban Growth: Homeownership versus Affordability," *American Economic Journal: Microeconomics* 6 (2014): 154–81; Richard Layard and Stephen J. Nickell, *Combating Unemployment* (Oxford: Oxford University Press, 2011), 57–62.

6. Brian Barry, "Reply to Goodin, Schmidtz, and Arneson," *Ethics* 118 (2008): 687–710, 708.

7. O'Neill, *Acting on Principle*, 173–93.

inflation at all costs are perfectly feasible goals— their flaw is that they are unfair.

While Oliver described the breadth of the coalition arrayed in PDE's defense, I have argued that this coalition has the potential to be both more enduringly cohesive and more threatening to justice than Oliver imagined. The way ahead for modern critics of PDE is therefore more difficult than Oliver suggests. First, they must make clear that PDE conflicts with the interests of those who lack established expectations. Second, they must make the case that assisting vulnerable individuals who lack established expectations should take priority over preserving established expectations. While Oliver's suggestion that PDE is doomed to internal contradiction fails, his discussion draws our attention to the moral importance of what PDE's critics could achieve—better lives for the most vulnerable—if they manage to succeed.