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9. Economic Liberalism

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9. Economic Liberalism

Abstract

Some of the classical economists thought that their function was to describe the general principles of economic life and not to prescribe the means of improving society. Wealth, not happiness, remarked Senior, is the economist's concern. Others, who took more seriously the titles they chose for the books they were publishing, thought differently. [*excerpt*]

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Comments

This is a part of [Section XIV: The Industrial Revolution, Classical Economics, and Economic Liberalism](#). The [Contemporary Civilization](#) page lists all additional sections of *Ideas and Institutions of Western Man*, as well as the [Table of Contents](#) for both volumes.

More About Contemporary Civilization:

From 1947 through 1969, all first-year Gettysburg College students took a two-semester course called Contemporary Civilization. The course was developed at President Henry W.A. Hanson's request with the goal of "introducing the student to the backgrounds of contemporary social problems through the major concepts, ideals, hopes and motivations of western culture since the Middle Ages."

Gettysburg College professors from the history, philosophy, and religion departments developed a textbook for the course. The first edition, published in 1955, was called *An Introduction to Contemporary Civilization and Its Problems*. A second edition, retitled *Ideas and Institutions of Western Man*, was published in 1958 and 1960. It is this second edition that we include here. The copy we digitized is from the Gary T. Hawbaker '66 Collection and the marginalia are his.

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9. Economic Liberalism

Some of the classical economists thought that their function was to describe the general principles of economic life and not to prescribe the means of improving society. Wealth, not happiness, remarked Senior, is the economist's concern. Others, who took more seriously the titles they chose for the books they were publishing, thought differently. John Ramsay McCulloch (1789-1864) wrote in his preface to the third edition of his Principles of Political Economy (1842):

We are...inclined to dissent from Mr. Senior, when he lays it down that the economist "is not to give a single syllable of advice," and that "his business is neither to recommend nor dissuade, but to state general principles!" This, no doubt, is a part of his business; but we cannot bring ourselves to believe that it is either the whole or even the greater part of it. On the contrary, it appears to us that the economist is bound, whenever he sees cause, to dissuade, censure, and commend, quite as much as the politician, or any one else. In treating, for example, of the influence of restrictions, is he not to censure those which, by fettering the freedom of industry, hinder the production of wealth? and is he not to commend the measures by which, and the ministers by whom, such restrictions are abolished? The economist who confines himself to the mere enunciation of general principles, or abstract truths, might as well address himself to the Pump in Aldgate, as to the British public. If he wish to be anything better than a declaimer, or to confer any real advantage on any class of his countrymen, he must leave general reasoning, and show the extent of the injury entailed on the community by the neglect of his principles; how their application may be best effected; and the advantages of which it will be productive. This science has its practical as well as its theoretical portion; and the economist will abdicate his principal functions if he do not call the public attention to every institution or regulation which appears, on a careful inquiry, to be adverse to the increase of public wealth and happiness. Unless he do this, he can be little else than a mere ideologist, about whose speculations most people will, very properly, care little or nothing.

We have elsewhere...endeavoured to point out the distinction between Politics and Political Economy; and here we shall merely observe, that, though all inquiries into the constitution and character of Governments be foreign to the business of the economist, it is his province to examine such laws or regulations as may appear (whether directly or indirectly is immaterial) to influence the production and distribution of wealth. It may be inexpedient for him to give any opinion upon the policy of

measures involving various considerations; but, if he make fair estimate of their influence in an economical point of view, and show their probable operation over the wealth and comforts of the people, he is acting strictly in his sphere, and is entitling himself to the gratitude of his country. *

Many English political leaders of the nineteenth century not only read the writings of the classical economists, beginning with Adam Smith, but sometimes called upon some of them for advice and assistance. For example, one of Ricardo's pamphlets on money became the basis of a parliamentary committee report. Senior himself, who was for more than twenty years a professor of political economy at Oxford, served on several royal commissions involving economic matters.

There was much in classical economy which appealed to those industrial capitalists of the nineteenth century who were seeking for some theoretical justification for their own business practices. As they interpreted it, the subsistence theory of wages was in complete accord with their own feeling that high wages would jeopardize incentive and foreign markets. The explanation of the sanctity of private property which characterized the classical economists, and of the need for profits and interest, agreed with their desire for a minimum of interference by government in the workings of business. The classical economists might not always share the faith of the capitalist in the wisdom of using more and more machinery, and the capitalist might disagree heartily with the prevailing pessimistic attitude of the economist, but these differences did not hide their wide areas of agreement.

Classical economic theory, when reduced to practice, was akin to the spirit of liberalism which the Enlightenment bequeathed to the nineteenth century and which, in its political aspects, has been discussed in the preceding chapter. John Stuart Mill (1806-1873) is an excellent example of the compatibility of the two phases of liberalism. In his economic writings he did little more than restate the conclusions of his classical predecessors and support them with arguments drawn from utilitarianism. But for more than half a century his Principles of Political Economy (1848) was the most widely used text in economics courses.

Came out in the year of great liberal + national revolut

Both liberal credos -- political and economic -- regarded the activities of government as the chief threat to personal liberty, as indeed to many had long appeared to be the case. They pledged to emancipate the individual from the remaining restraints of political and religious absolutism and to have the government delivered into the hands of the middle class,

* Quoted in J. R. McCulloch, The Principles of Political Economy (Edinburgh: Adam and Charles Black, 1864), pp. xi-xiii.

of society." This meant that regulation of the level of wages, rent, interest, and profits once more could be justified.

The following is a statement of the moderate liberal position on the role of government in society, taken from John Ramsay McCulloch, writing in 1864:

The discussions in which we have been engaged in the previous chapters, sufficiently evince the vast importance of the government being powerful, and at the same time liberal and intelligent -- that is, of its having power to carry its laws and regulations into effect, and wisdom to render them consistent with sound principles. Far more, indeed, of the prosperity of a country depends on the nature of its government than on any thing else. If it be feeble, and unable to enforce obedience to the laws, the insecurity thence arising cannot fail of being most pernicious; while, on the other hand, if its laws, though carried into effect, be founded on erroneous principles, their operation cannot be otherwise than injurious; and though they may not actually arrest, they must, at all events, retard the progress of the society. An idea seems, however, to have been recently gaining ground, that the duty of government in regard to the domestic policy of a country is almost entirely of a negative kind, and that it has merely to maintain the security of property and the freedom of industry. But its duty is by no means so simple and easily defined as those who support this opinion would have us to believe. It is certainly true, that its interference with the pursuits of individuals has been, in many instances, exerted in a wrong direction, and carried to a ruinous excess. Still, however, it is easy to see that we should fall into a very great error if we supposed that it might be entirely dispensed with. Freedom is not, as some appear to think, the end of government; the advancement of the public prosperity and happiness is its end; and freedom is valuable in so far only as it contributes to bring it about. In laying it down, for example, that individuals should be permitted, without let or hindrance, to engage in any business or profession they may prefer, the condition that it is not injurious to others is always understood. No one doubts the propriety of government interfering to suppress what is, or might otherwise become, a public nuisance; nor does any one doubt that it may advantageously interfere to give facilities to commerce by negotiating treaties with foreign powers, and by removing such obstacles as cannot be removed by individuals. But the interference of government cannot be limited to cases of this sort. However disinclined, it is obliged to interfere, in an infinite variety of ways, and for an infinite variety of purposes. It must, to notice only one or two of the classes of objects requiring its interference, decide as to the species of contracts to which it will lend its sanction, and the

*Wasn't carried out completely - Christian tradition, & Enlightened Humanitarianism
(2) those who have, should give to those who have not, (3) didn't want to bring on a revolution.*

*Classical economists introduced ingredient that Dilute Laissez-faire.
modifying the economic laws. (McCulloch, List, Ashley, Mill.)*

means to be adopted to enforce their performance; it must decide in regard to the distribution of the property of those who die intestate, and the effect to be given to the directions in wills and testaments; and it must frequently engage itself, or authorize individuals or associations to engage, in various sorts of undertakings deeply affecting the rights and interests of others. The furnishing of elementary instruction in the ordinary branches of education to all classes of persons, and the establishment of a compulsory provision for the support of the destitute poor, are generally, also, included and apparently with great propriety, among the duties incumbent on administration. And, in addition these duties and obligations, government has to undertake the onerous task of imposing and collecting the taxes required to defray the public expenditure, and of providing for the independence and security of the nation. It is not easy to exaggerate the difficulty and importance of properly discharging such duties, and the powerful influence which the policy pursued in regard to them must necessarily exercise over the public well-being. But without further insisting on these considerations, it is at all events obvious, when the subjects requiring, or supposed to require, its interference are so very numerous, and when we also take into view the necessity of accommodating the measures of administration to the changes which are perpetually occurring in the internal condition of nations, and in their external relations in respect of others -- that it is impracticable to draw anything like a distinct line of demarcation between what may be called the positive and negative duties of government; or to resolve what Mr. Burke has truly termed "one of the finest problems in legislation, namely, to determine what the state ought to take upon itself to direct by the public wisdom, and what it ought to leave, with as little interference as possible, to individual exertion...."

The principles already established show, that without security of property, and freedom to engage in every employment not hurtful to others, society can make no considerable advances. Government is, therefore, bound to take such measures as may be effectual to secure these objects. But it must not rest satisfied when this is accomplished. It will fail of its duty if it do not exert itself to prevent that confusion and disorder in the distribution of property, and in the prosecution of employments, that could either not be prevented without its interference, or not so easily and completely. It is also bound to give every due facility to those about to engage in such useful undertakings as cannot be carried on without its sanction; and it should not only endeavour to protect its peaceable and industrious subjects from the machinations of the idle and profligate, but also against those accidents arising from the operation of natural causes to which their persons or properties may otherwise

*J. S. Mill - production should be determined by the laws of the universe (left free)
 state wants distribution " (is determined) by decisions based on human wishes (regulated)
 if no persons, state can step in and help.*

be exposed.....

The previous observations may, perhaps, suffice to give a general idea of the sort of objects with respect to which the interference of government is required, in conducting the ordinary business of society, and the extent to which it should be carried. It cannot, however, be too strongly impressed upon those in authority, that non-interference should be the leading principle of their policy, and interference the exception only; that in all ordinary cases individuals should be left to shape their conduct according to their own judgment and discretion; and that no interference should ever be made on any speculative or doubtful grounds, but only when its necessity is apparent, or when it can be clearly made out that it will be productive of public advantage. The maxim, pas trop gouverner, should never be absent from the recollection of legislators and ministers. Whenever they set about regulating, they are treading a path encompassed with difficulties; and while they advance with caution, they should be ready to stop the moment they do not see the way clearly before them, and are not impelled, by a strong sense of public duty, to go forward. But, so long as this is the case, they should never hesitate in their course. There are many cases in which government must, and many more in which it should, interfere. And it is the duty of the legislature, having once fully satisfied itself, by a careful inquiry, of the expediency, all things considered, of any measure, resolutely to carry it into effect. *

generally, not too much interference, but there are occasions when the state must step in

As industrialism spread, economic liberalism became a factor in other countries, but in each there were variations from the English pattern. In the United States, where political liberalism had made great gains even before 1800, individualism was even more pronounced than in Europe, and the economic liberal here was likely to favor a tariff to protect the so-called infant industries of his country from British competition. In the following chapter we shall see how, in the person of Andrew Carnegie, economic liberalism in America was buttressed and modified by the thought of Charles Darwin and Herbert Spencer.